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1951
(THE SENATE OF CANADA)

58

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Publications



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 1

WEDNESDAY, MAY 16, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

APPENDIX:

A Summary of Annual Estimates by Standard Objects of Expenditure
and Special Categories, Departments other than National Defence and
Defence Production.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951



STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., *Chairman*

The Honourable Senators

Aseltine	Farquhar	Hurtubise	Petten
Baird	Farris	Hushion	Pirie
Barbour	Ferland	Isnor	Reid
Beaubien	Fogo	King	Robertson
Bouffard	Golding	Lacasse	Roebuck
Buchanan	Gouin	Lambert	Ross
Burchill	Haig	McDonald	Taylor
Campbell	Hayden	McIntyre	Turgeon
Crerar	Horner	McKeen	Vaillancourt
Davies	Howard	McLean	Vien
DuTremblay	Howden	Moraud	Veniot
Euler	Hugessen	Paterson	Wilson
Fafard			

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday,
March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 16, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11 a.m.

Present: The Honourable Senators: Crerar, Chairman; Aseltine, Barbour, Beaubien, Bouffard, Buchanan, Burchill, Euler, Golding, Gouin, Haig, Horner, Howden, Hugessen, Isnor, Lambert, McDonald, McIntyre, McKeen, Paterson, Petten, Reid, Taylor, Turgeon and Wilson—25.

In attendance: The official reporters of the Senate.

The Committee proceeded to consideration of the order of reference of March 14, 1951—

That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31st, 1952, etc.

Mr. R. B. Bryce, Assistant Deputy Minister, Treasury Board Division, Department of Finance, was heard.

On motion of the Honourable Senator Haig, it was—

Resolved to report recommending that the Committee be authorized to print 800 copies in English and 250 copies in French of its day to day proceedings, and that Rule 100 be suspended in relation to the said printing.

At 1.00 p.m. the Committee adjourned until tomorrow, Thursday, May 17, 1951, at 11.30 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, WEDNESDAY, May 16, 1951.

The CHAIRMAN: I think we are in a position to proceed now, and I am assuming that we will start with the table headed "Departments other than National Defence and Defence Production." I would suggest that we go down the items in the order in which they appear there. The first item is Civil Salaries and Wages. There are four columns of figures. The column at the extreme right gives the expenditures for this item in the fiscal year 1938-39; the next column to the left of that gives the figures for the fiscal year 1949-50; the next column, for the fiscal year 1950-51, and the first column is for the fiscal year 1951-52. These columns show the position in the last three fiscal years, compared with 1938-39, the last pre-war year. They indicate that the expenses have grown, under this heading, from \$282 million in 1950-51 to \$301 million in 1951-52, and perhaps Mr. Bryce will enlighten us about this.

Hon. Mr. ISNOR: Mr. Chairman, just before Mr. Bryce goes into that, may I ask if he would give us a background of how they arrive at the figures for not only this particular item but for all the items in the table, so that when we reach the final figures for the Total Standard Objects we shall know how these figures are made up. Otherwise, we shall be going over the same kinds of questions with respect to various items. Perhaps Mr. Bryce can tell us how they arrive at their figures for this year as compared with 1938-39.

The CHAIRMAN: I think I can answer that question.

Hon. Mr. ISNOR: If you can answer it, all right; but Mr. Bryce, an expert witness, has been brought here and I would like to have him answer it. I say that in the most kindly way.

The CHAIRMAN: I might add that this tabulated information is in accordance with the procedure that we adopted last year, when the committee asked the Treasury Board to split up all Federal Government expenditures by objects and categories, which is the only way to get at the thing, so far as the total expenditures are concerned. However, Mr. Bryce can enlighten you still further, if you need further enlightenment on that.

Hon. Mr. ISNOR: We will see how it works out.

Mr. BRYCE: I am not certain that I fully understand the question as to how we make these up. Does it relate to the estimates as a whole or to the distribution of them into these categories?

Hon. Mr. ISNOR: If you can give an answer in regard to the whole estimates it naturally will relate to the particular items.

Mr. BRYCE: If that is the case, sir, perhaps I may start out by saying that the estimates, of course, present the government's program of the fiscal year in terms of expenditure as presented to parliament, and they are made up firstly by the Minister of Finance inviting the various ministers to submit to Treasury Board offices, for the consideration of the Treasury Board and ultimately of the government, their anticipated requirements for expenditures in the following fiscal year. This is normally done in the late fall. Those are received in my office in the Department of Finance, where they are analysed and prepared for the Treasury Board to consider them. In that analysis and preparation of course

we have many meetings with departments to clarify what is meant. At those meetings we might often also express the point of view of the Department of Finance in regard to the estimates, in accordance with the instructions that we get from the Minister of Finance. The estimates then are considered by the Treasury Board, which of course is a committee of Cabinet Ministers, which goes over them in some detail, and they are then altered in some respects and approved. Any important questions where there is a difference of view will go to the Cabinet for the final settlement of differences.

When that is done the estimates as a whole are then sent on to the Cabinet for its approval, and then they are presented to the House of Commons, as you will recall, with a message from His Excellency conveying them as the estimates for the year, in accordance with the British North America Act.

The process by which they are considered and altered and approved is essentially one of the normal processes of Cabinet government. You may get all sorts of discussions taking place between the ministers as to what should or should not be included, or how much should or should not be included. That part of the process is part of the general Cabinet process, with which I assume senators are familiar. It is out of that general process, however, that the estimates emerge, and of course in that process the departments of government are carrying on detailed discussions in accordance with the instructions that they may get from their ministers and the Department of Finance may get from its minister, and that all of us get from the Treasury Board. So it is quite a lengthy and involved process by which estimates are finally made up.

The form in which they appear and their division into these various objects has been evolving over recent years. There have been two important changes. One took place a couple of years before the war—I think that was described here last year—in which the main objective was to group together under each department and each service within the department all the items relating to a particular service or particular function; so that parliament would be able to see how much was being required for, let us say, navigation services in the Department of Transport, or the experimental farm services in the Department of Agriculture. Prior to that some of the amounts required for particular functions were shown under one group of votes and some under another. In the current year quite considerable changes were made in the forms in which the estimates were presented. That was done as a result of the observations and suggestions made to the government by this committee and other Senate committees last year, and by the Public Accounts Committee of the House of Commons and by members of the House of Commons in their discussions in Committee of Supply. When tabling the estimates this year, the Minister of Finance issued an explanatory statement outlining the main changes in form that had taken place in the estimates, in response to the suggestions made by both Houses of Parliament. I could summarize these for you now, if you wish. One of them was the adoption of these standard objects, into which we would try to fit the breakdown of each vote in the estimates, so that it would be possible in future to get this sort of tabulation that the Chairman has put before you.

If it is convenient I could give the reporter a copy of the statement, to be included, and which contains the explanation of the major changes made other than those relating to the main objects of expenditure.

The CHAIRMAN: Is that in addition to this information before us?

Mr. BRYCE: Yes, sir. With regard to the question that the Chairman raised as to the detailed explanation of what was included and what was excluded in the various categories, I may say that for convenience we have put this on the back of the big table which is included in the estimates, so if one wants to know what is covered in any particular category, one has only to turn the big table over,

and under the appropriate numbers at the back we have tried to make as clear an explanation as we could of just what was included under Civil Salaries and Wages, Civilian Allowances and things of that sort.

One final word, if I may be allowed, sir. In the estimates proper under each vote we have tried to break the total down into details that would fit within these standard objects. In some cases the wording and the division is not exactly the same, because we tried to give additional information of a more informative character. For example, if I may just pick a point at random: Page 182 of the Estimates, in the Fisheries Field Services, there are at the bottom of the page two lines which fit within one of these categories which give Parliament additional information. They show "Charter of Aircraft" and "Charter of Boats". Each of those items come within our Category No. 18, which is rental of equipment. We thought it would be helpful to know that within that broad category so much is being requested for charter of aircraft and so much for charter of boats.

Does that answer your question, sir?

Hon. Mr. ISNOR: Thank you very much.

Hon. Mr. REID: Mr. Chairman, I have two questions which I should like to ask the witness.

In Civil Salaries and Wages as outlined in Item No. 1, does that include all the staff of every department, such as the Film Board, or Radio?

Mr. BRYCE: You put your finger very acutely on the one point of conflicting principle, Senator. If you will note under the line devoted to the National Film Board on the front sheet, we show all their operating expenses under Column No. 10 on Films, Displays, Broadcasting, Advertising, etc. The reason for that is that we have two types of division which conflict at certain points; in other words, our main division is in terms of type of expenditure: Salaries and Wages, Purchases of Materials, Rentals, and things of that sort. These are main divisions, and we try to follow that in priority to any other; but we have a few categories in which the committees of Parliament have shown a particular interest, such as Printing, Films, Construction, Buildings and Works, and Equipment, which include in each case expenditures that might also be classified under Salaries and Wages or Materials. We had to decide whether to show the expenditures of the Film Board in the production and distribution of films under the items relating to Films, Displays, Broadcasting, Advertising, etc. or under the item relating to Salaries, Materials and various items.

Hon. Mr. REID: Then I am right in assuming that to get a complete detailed statement of all the Salaries and Wages we would have to segregate them from some of these departments like Film Board and C.B.C.?

Mr. BRYCE: Yes. The only ones of any consequence, concerning Salaries and Wages, not included under that first column is—and here I must speak from memory as to the main ones—firstly the Film Board, the costs of which you will notice are covered under Group 10, and secondly, there is also the International Broadcasting Service of C.B.C. which, as I recall, is included almost entirely under "all other expenditures".

Hon. Mr. REID: I was wondering where that was.

Mr. BRYCE: The reason is, that is a payment we make to the C.B.C. for their carrying out the function. I would welcome the views of the committee, and I am sure the Treasury Board would also, as to whether that should more properly be included under Column 10. We were in some doubt as to which was the best way to classify that, for the reason that salaries paid there are not salaries of employees of the government. They are salaries of employees of the Canadian Broadcasting Corporation, who are engaged on the work of international broadcasting on behalf of the government. We were not sure, as I say, whether we should distribute that under these various headings, or whether we should put

it all under Films, Displays, Broadcasting and Advertising, as we did the Film Board; or, whether we should put it in that final residual category, 22. However, that is one group that is not covered under Salaries and Wages.

The second group is the Film Board, where we included it as Films, Displays, Broadcasting and Advertising. We did that, firstly, because we wanted to show clearly that it was devoted to that purpose; and secondly, for the reason that—and this perhaps gets us into an administrative problem in which the committee might interest itself—the Minister concerned and the Film Board officers felt that if we broke down the Film Board vote into these detailed categories they should be able to answer questions that may be asked in Parliament as to expenditures in those categories.

Now, the Film Board is an operating unit that does not keep its accounts in detail in the same way as other government departments do. It keeps its accounts on a basis that is authorized in the Film Board Act passed at the last session of Parliament. The accounting arrangements are deliberately made so that they can tell the cost of a certain film, and charge it out to the department or agency, or whoever they are producing it for. If they were going to be able to account for their expenditures under these various headings, they would need to spend an additional \$10,000 or \$15,000, or something like that on an accounting service, in order that they could account to Parliament under these same headings.

The Treasury Board came to the conclusion that it was not worthwhile spending this additional amount of money to provide a second set of accounting records in the Film Board, in order to have this amount of roughly \$2½ million distributed over these dozen categories of Salaries, Materials, and so on. Now, that is the sort of practical problem we get up against sometimes, Senator Reid, in deciding how we will classify these things.

Hon. Mr. REID: I was particularly glad you mentioned the Film Board, because it is one of the few departments of Government in which no statement is made in the Blue Book of the size of the staff. I speak particularly of the administrative end of it. I realize the Board must of necessity engage help which would not appear in the Blue Book, but if you look over the estimates you will find that is one of the departments of Government as to which no information is given regarding the administrative staff. I just wondered, why the omission.

The other question I have was in regard to the amount of the estimates under item 1, Civil Salaries and Wages. In 1950-51 compared to 1949-50 there is an increase of nearly \$5½ million; but from 1950-51 to 1951-52 there is an increase of over \$19 million. What is the reason for the great jump this year compared with 1950-51?

Mr. BRYCE: The answer to that, Senator, is the upward movement of wage and salary levels. At the end of 1949 we did not make any general revision in salary and wage scales, as we had already made at the end of 1947 and 1948. But late in 1950 the Government came to the conclusion that it had to revise its basic salary scales, and those revisions have been incorporated, at very considerable effort, in all the details of the estimates this year.

Hon. Mr. REID: Would that increase this year be an increase of salaries, or would there be any increase of staff or personnel?

Mr. BRYCE: The increase in salary and wage rates was, I would say, roughly of the order of 10 per cent or 11 per cent. Now, if we added 10 per cent, let us say, to the \$282 million shown here, that would give you \$310 million. So that the numbers provided for here are down, although the rates of salary included are increased more than enough to wipe that out.

Hon. Mr. REID: But how are the numbers of staff?

Mr. BRYCE: On that question, perhaps, I might just be allowed to quote what Mr. Abbott announced in a press statement when tabling the estimates in Parliament,—partly because it is a question of policy, partly because it includes some figures I cannot recall from memory.

The reductions in our operating programs have involved a reduction in the number of Civil Servants provided for in the Estimates, in accordance with the policy of the Government announced some time ago.

That was in December.

The actual numbers provided for are enumerated in nearly all cases under the details supporting individual votes, although there are a few units where the numbers cannot be given at this time and in general it has not been able to set down any numbers for casual employees.

"Casual employees" are those we take on for a few months at a time.

Excluding Defence Production, where no comparable figure for the current year, including the Canadian Commercial Corporation, is available, this total of enumerated employees in the new year is 108,454, compared with 117,230 in the Estimates for the current year.

In other words, if one looks through all the details to see the number of employees provided for, one finds a total of 108,000-odd compared with 117,000 the previous year.

These totals include units where a reduction was to be expected anyway, e.g., Income Tax and the Wartime Prices and Trade Board, and other units where defence activities of one kind or another have required increases. Excluding both such groups, the Estimates now tabled provide for about 5 per cent fewer employees on the average than the Estimates for the current year. It is not possible to say how many fewer employees will actually be on strength, or how many persons have been or will have been released in this program. The compilation of such figures would involve a detailed analysis of all the units concerned, which it has not been possible to make.

I think, sir, broadly speaking one can say that on an average, in these non-defence units, and excluding the income tax, where we were planning to cut down anyway, there is about a 5 per cent reduction in the numbers of employees provided for.

Hon. Mr. McKEEN: You said "casual employees". Are casual employees listed as "temporary"?

Mr. BRYCE: No, sir, the casuals in a good many votes are listed under a separate line called "casuals and others"—I think is the usual term, but no numbers are associated with them, because they are usually employed for such short periods.

Hon. Mr. McKEEN: But you say the numbers of employees, both temporary and permanent, are down?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: On this first item, "Civil Salaries and Wages": are revenue postmasters included?

Mr. BRYCE: No.

The CHAIRMAN: As I recall, last year there were about 14,000 revenue postmasters, who are paid commissions on the work they do in their respective post offices. So that the remuneration they get reduces the revenue from stamps and post office orders that they sell.

Hon. Mr. REID: Why should they not be included in the salary list? They are on salary?

The CHAIRMAN: Oh, well, it was mentioned in our report a year ago—the total number. I mention that because in a sense that fact is pertinent to this total amount that we are considering here now under item No. 1.

Hon. Mr. McDONALD: Is the National Research Council included in item No. 1?

Mr. BRYCE: Yes, sir, their salaries and wages; and if you will look on the big table, at the line relating to National Research Council and Atomic Energy Control Board, you will see the amount.

Hon. Mr. McDONALD: Would there not be quite an increase in staff there, due to defence requirements under the defence program?

Mr. BRYCE: Yes, sir.

Hon. Mr. BURCHILL: What about government companies such as Canadian Commercial Corporation? Are the employees included?

Mr. BRYCE: It is rather difficult for me to speak definitely on that point, sir, because when these figures were made up the plans for the new Department of Defence Production had not been finalized; but if one looks in the estimates he will see, under "Defence Production", I think, a round number of employees for which we provide,—yes, a thousand employees. That is given without supporting detail. It is frankly only a forecast, but that includes a good many of the employees formerly on the staff of the Canadian Commercial Corporation, who have now been incorporated into the staff of the Department of Defence Production.

The CHAIRMAN: But it does not include them all?

Mr. BRYCE: No. I understand that it is Mr. Howe's intention to retain some of the staff in the corporation, even though the bulk of the purchasing staff goes into a department proper. That is, the department proper has now taken over the function of purchasing for National Defence which formerly was vested in the corporation.

Hon. Mr. REID: Are the employees of the Central Mortgage and Housing Corporation included in this item?

Mr. BRYCE: Not at all.

The CHAIRMAN: What about the Polymer Corporation?

Mr. BRYCE: They are not included. No employees of Crown companies that are properly so-called would be included here. And that brings us back, of course, to the point I mentioned about the C.B.C. We do provide, I think, for about 230 employees of the C.B.C. under the appropriation for the operation of the International Broadcasting Service, and they are not enumerated in the estimates, although I think it is fair to say that some information is given as to the amount of salaries.

Hon. Mr. REID: Where could we get the information with regard to these Crown corporations? You may very well tell us of a 5 per cent decrease in employees, yet these Crown companies may have doubled their personnel. I am just wondering where we can get information on Crown companies. I think that we should look at them more closely than we are doing.

Mr. BRYCE: Well, in the report of this committee for last year there is a table, as I recall, which gives a summary. I think they reprinted a table which I had submitted to the committee showing the numbers of civil servants in the various departments, to which was added the total for Crown corporations and corporate agencies other than the Canadian National Railways and its subsidiaries; and the total number for these Crown corporations and agencies was about 13,000. So that it would be perhaps a little less than one-tenth of the

total. I could not tell you off-hand, sir, just what the trend of employment in Crown companies has been. I assume that Canadian Arsenals is one of the Crown companies where probably employment would be up. I would rather doubt that the C.B.C. has expanded its staff. I know that the Central Mortgage and Housing Corporation has taken on additional staff in order to do certain construction services on behalf of National Defence. They are building the lighter types of buildings. They are providing the management service for Defence Construction Limited, which in turn, is undertaking certain construction work on behalf of National Defence. So that you do get these various considerations applying to different Crown companies.

The CHAIRMAN: In the committee's report of a year ago, as shown on page 547 of the Senate Hansard of 1950, the total number of employees is shown as 155,960. That included revenue postmasters.

Mr. BRYCE: Yes, that is mentioned in one of the foot-notes.

The CHAIRMAN: "Crown corporations, and Corporate Agencies, other than the C.N.R. and its subsidiaries, 13,189." That was for all Crown corporations outside the C.N.R.?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: Now, this figure of 155,960 included employees of the Board of Grain Commissioners and I think the National Harbours Board.

Mr. BRYCE: I would doubt that it would include the National Harbours Board. I think that would be under corporate agencies.

The CHAIRMAN: I think you are right. At any rate, in this estimate of \$301,856,000 for Civil Salaries and Wages, revenue postmasters are not included nor are Crown corporations and corporate agencies.

Mr. BRYCE: No, both are excluded.

Hon. Mr. REID: And the same is true of the Film Board and C.B.C.?

Mr. BRYCE: That is right. I did not complete my enumeration for Senator Reid. There is another group of employees not covered there because we had to make a choice as to whether they were properly shown under one heading or another. Broadly speaking, those are the employees hired for a particular construction project. I refer to casual employees in almost all cases who are hired to carry out a particular job of work in the building of this or that, or in the repairing of this or that. Those are covered under the expenditures of buildings and works in columns 13 and 14. They would not be a large proportion in the terms of the average number of employees during the year, although there might be several thousand in the construction season.

Hon. Mr. BOUFFARD: Outside of the C.B.C. and the Film Board, which do appear in your report this year, do Crown companies appear anywhere in your report this year?

Mr. BRYCE: No, sir.

Hon. Mr. BOUFFARD: Under no heading?

Mr. BRYCE: Well, I am sorry to be always qualifying these things, but the government is no longer a simple structure. I have had on occasion to endeavour to classify Crown companies for one purpose or another, and it is getting difficult to draw a line and say just exactly what is a Crown company and what is a department. The National Research Council, for example, is a corporate body and for certain purposes has corporate powers, but we treat it here as our other departments are treated except that they are permitted to use their revenues, whereas other ordinary departments are not. The National Harbours Board, on the other hand, is excluded. The expenditures of the Director of Soldier

Settlement, who is in legal terms a corporation sole, are included. So that we cannot really say that no corporate agencies are included here; rather, I would say those which are treated normally as departments are treated here.

Hon. Mr. BOUFFARD: Could you enumerate the Crown companies which are not included in your report?

Mr. BRYCE: I would hesitate to give a firm list but perhaps I could just read out, if the Chairman would permit me, the corporate agencies that were included in the 13,000 employees given to the committee last year. It would give one some idea of the picture.

The Bank of Canada, which is hardly even a Crown company—

Hon. Mr. HAIG: It is not included?

Mr. BRYCE: It is not included anywhere in these figures, Senator. The Canadian Arsenals Limited is not included except in so far as the defence expenditures in many cases involve expenditures which are purchases from Canadian Arsenals Limited, so that to some degree the amounts in here have to do with purchases for National Defence. As to the Canadian Broadcasting Corporation, only those expenditures having to do with the international service of the C.B.C. are included, and only the expenditures on that service. Last year, of course, the government provided the C.B.C. with an advance to meet operating deficits, but that is not included in this table of estimates because it came in the Final Supplementary Estimates at the end of the year. As I have already said, the Canadian Commercial Corporation was not included last year, but a good many of its employees, now being transferred to Defence Production, are included in a rather arbitrary round figure. The Canadian Farm Loan Board is not included in any respect. The activities of the Canadian Sugar Stabilization Corporation have been wound up. The Canadian Wheat Board is not included. Central Mortgage and Housing Corporation is not included here in any respect except in so far as some of its employees are engaged on work for the government, and this is indirectly covered in the expenditures of other departments such as National Defence. The Commodity Prices Stabilization Corporation would be included under Finance in a bulk amount for its operating deficit. It is a corporation which does not make money.

Hon. Mr. McKEEN: Its wages are not included in this statement of wages?

Mr. BRYCE: No, they would not be. The Eldorado Mining and Refining (1944) Limited is not included, nor is the Export Credit Insurance Corporation. I am not certain about the Federal District Commission. It comes under the Privy Council Office here. We do provide in appropriations for part of the expenditure in the Federal District Commission for what it does on behalf of the government looking after the grounds around government buildings, and they get a statutory grant of \$300,000 a year which looks after the parkways. I am not quite sure how much we show here for the Federal District Commission. All the money provided to the Federal District Commission is classified under column 22 of "All Other Expenditures". The Industrial Development Bank is nowhere covered at all. The National Battlefields Commission, I imagine, is covered in our "All Other Expenditures" column. They get a grant of \$100,000 a year.

The CHAIRMAN: They have no revenue outside of what they get from the government?

Mr. BRYCE: They may have a small amount of revenue. I would not be too certain about that, sir. They have no other revenue of consequence.

Hon. Mr. BOUFFARD: The only revenue they might have would be fines that they collected.

Mr. BRYCE: As to the National Harbours Board, we covered certain of their construction expenditures and deficits on certain operations, like Port Churchill, which they carry on on behalf of the government, but not the salaries.

Hon. Mr. McKEEN: Does the Finance Department provide accountants for the National Harbours Board?

Mr. BRYCE: The Comptroller of the Treasury, who does the accounting work and issues the cheques for the government, provides that service also to the National Harbours Board, but I believe that the cost of it is met from the National Harbours Board's revenues.

Hon. Mr. McKEEN: In other words, there are not in the various ports men doing the accounting for the National Harbours Board and paid by the Department of Finance rather than by the National Harbours Board?

Mr. BRYCE: I do not like to speak too categorically, but I believe there are accountants who are employees of the Comptroller of the Treasury, but that their salary costs are met from National Harbours Board revenues.

Hon. Mr. McKEEN: They are actually working in National Harbours Board offices on National Harbours Board matters, but for purposes of administration they come under the Treasury Board?

Mr. BRYCE: Yes, sir, under the Comptroller of the Treasury.

The CHAIRMAN: Are there any others?

Mr. BRYCE: The Northwest Territories Power Commission would not be covered. Their operating expenses are met out of revenue. The Northwest Transportation Company Limited, their operating costs also are met out of revenue. The Park Steamship Company Limited—I think that is dormant. Then the Polymer Corporation, it of course meets its operating costs out of revenue. Surplus Crown Assets Corporation meets its operating costs out of the proceeds from the disposal of surplus assets. These are the main ones.

Hon. Mr. REID: It would be interesting if you could tell us what proportion of expenses to the total expenditures is involved in all the Crown companies. We are setting up Crown companies every year, and I think it would be very interesting to know what proportion the expenditure involved in all Crown companies bears to our total expenditures.

Mr. BRYCE: Well, sir, I will have to get that figure for you, for I cannot recollect off-hand what it is. Might I ask if you have in mind the proportion of parliamentary grants and appropriations that are spent through Crown companies, or would you include the proportion of all receipts by these Crown companies? For example, the Polymer Corporation operates at a profit. How would you wish that to be treated? Do you want to have the Polymer revenue and expenditures included in that total?

Hon. Mr. REID: If a Crown Corporation makes a profit, the expenditures will be that much less.

Mr. BRYCE: I could get the information, sir, and provide it to the Chairman for the Committee.

Hon. Mr. McKEEN: When a Crown company makes a profit, is that profit used to pay back the expense to which the government originally went in building the company's plant, or does it go into general revenue, or is it shown as a reserve on the company's books?

Mr. BRYCE: The practice varies, sir, between one company and another. In some cases the statute establishing the company or the terms of the charter require the profit to be returned to the Crown, in revenue. In other cases the company may retain it. When it is at the disposal of the company and its directors or of the minister having general control over it, it may be used to

repay indebtedness to the Crown or to pay profits to the Crown. There is a great variety of provisions in the various laws and a great variety of practices. Unfortunately, there is no clearly established law that applies to all, nor, I am afraid, any clear principle running through all the laws and practices.

Hon. Mr. McKEEN: As to the Polymer Corporation, what have you done there?

Mr. BRYCE: The Polymer Corporation retains its profits and, as I recollect, part of them, if not all of them, are being used for additional capital expenditures on the plant of Polymer.

Hon. Mr. LAMBERT: An annual report in connection with Polymer is tabled every year?

Mr. BRYCE: Yes, I understand that is so. I looked it up a month or two ago, and I think a report is tabled in parliament each year.

Hon. Mr. LAMBERT: The capital for that corporation was of course provided by the Crown.

Mr. BRYCE: During the war.

Hon. Mr. LAMBERT: And the profits now are being turned into the company for further development within the industry. The important question, I think, is why should the salaries of the officials of Polymer be included in the estimates at all?

Mr. BRYCE: They are not, sir.

Hon. Mr. LAMBERT: I understood you to say they were.

Mr. BRYCE: Oh, no.

The CHAIRMAN: Mr. Bryce, is this the position, that the government has a contingent liability with respect to all these Crown corporations? Let us take an illustration. If the Polymer Corporation operated at a loss instead of a profit, the government would have to come to its rescue and make good the loss, would it not?

Hon. Mr. LAMBERT: As in the case of the Canadian National Railways.

Mr. BRYCE: Well, sir, it depends on what resources the company may have accumulated from the past. For example, I think the accounts of the C.B.C. in recent years would show that it has operated at a deficit. You may recall that about a year ago the government advanced the corporation about \$650,000. Now, that amount is much less than the deficits of the C.B.C. in recent years, but the C.B.C. had certain cash resources accumulated in depreciation accounts and out of surpluses of previous years, on which it was able to draw. But I think it is proper to say that the government, in so far as it is responsible for the operation of a number of these large companies, does face the possibility of having to find cash to assist them in meeting their deficits or in restoring their working capital that may have been dissipated if there were deficits.

Hon. Mr. McKEEN: Would the government not be in the same position as shareholders of a company, that it would have to put in more capital to keep the company going or allow the company to go bankrupt?

Mr. BRYCE: Yes, sir.

Hon. Mr. McDONALD: Mr. Chairman, in these estimates under "Civil Salaries and Wages" an increase in expenditure is shown over last year. Can Mr. Bryce tell us approximately how much of that increase is due to carrying out the defence program? For instance, the National Research Council, Atomic Energy Control Board shows an increase of \$1,200,000; in Mines and Technical Services, there is another increase shown.

Hon. Mr. HAIG: What page is that shown on?

Hon. Mr. McDONALD: I am reading now from the large table. It would be helpful if we could find out approximately what increase is due to the carrying out of the defence program, because such should really not be charged to civilian work.

Mr. BRYCE: Perhaps I might, at some hazard, run through a few of the departments, and make some comment on them.

In Agriculture there is an expansion, but relatively little of it would relate to defence. The increase in Agriculture would be less than the increase in the rates of salaries that have been authorized. There is a small defence expenditure arising out of the danger of bacterial warfare and similar matters. There are certain amounts in this category, though relatively small, which are devoted indirectly to defence activities.

The Auditor General's office: Of course the officers are engaged in audits of defence expenditures, as well as others; and with the large increase in defence expenditures more staff from that office are tied up on that work, in comparison with non-defence work. There you are really getting a transfer of some of the staff from one department to the other.

C.B.C. International Broadcasting Service: Who is to say whether that is an indirect defence expenditure or not? We are broadcasting programs to Russia and to Czechoslovakia.

Hon. Mr. McDONALD: Some of it would be.

Mr. BRYCE: It is a question of judgment as to how much can properly be attributed to defence.

The Chief Electoral Officer: I need not say anything about that item.

Citizenship and Immigration: The bulk of the work is not defence, even indirectly, but the government is deliberately expanding the expenditures on the staff of the Immigration Service to help make possible a larger volume of immigrants which in turn assists in meeting the demands for manpower in production of one kind or another. However, that has quite an indirect connection with defence.

The Civil Service Commission: The bulk of its activities are non-defence, but they do assist the Department of National Defence and Defence Production in quite material ways in recruiting their staffs. Moreover, I should like to say that the Civil Service Commission have been of very real assistance to the Treasury Board and the government in helping us to reduce non-defence expenditures. So that to that extent they are assisting in the diversion of manpower from non-defence purposes to defence.

External Affairs: Again, it is a question of judgment as to how you are going to classify some of the activities of this department. Whether they are properly in the defence program, they are undoubtedly associated with it. Certainly some of the expenditures for External Affairs are directly on defence matters.

Finance: Again, some amount of our expenditures there are for defence work. Several men of my staff are engaged almost entirely on defence work, and we will have to expand the number of men working on defence, as well as those engaged in the effort to cut down the non-defence expenditures, which throws a heavier burden on our staff in the Treasury Board. We have to have more men to try to comb out the less essential items in the non-defence activities. And the Comptroller has large staffs working directly on defence expenditure.

Fisheries: There would be little of that item directly related to defence; and the same applies to the Governor General. Insurance would be in the same category although the activities of the Fire Commissioner are expanding somewhat in relation to the Civil Defence functions. There is a little in that item. As to the Justice Department, a little service is provided to the Department of National Defence. The Commissioner of Penitentiaries is unrelated to defence.

Department of Labour: We have had some small expansion of staff engaged on the general manpower program that arises in a period of this kind.

Unemployment Insurance Commission: Again, the Employment Service contributes to the general movement of labour into defence production and defence industries. Their staff is down, as will be noted in the Estimates, and they co-operated with the government in getting it down to meet the needs for diverting the manpower to defence purposes; we must, however, recognize that they fulfil a necessary function at a time like this.

Legislation: Members of the committee can better judge that item than I.

Mines and Surveys: That is a most debatable sort of problem. The Surveys Division, or whatever it is called, is engaged very largely in mapping work that relates directly to the requirements of the three services. I had many long discussions with the officers of the Department of Mines and Surveys and with the officers of National Defence, as to how much we can and should devote to the surveys program. There is no doubt that the greater bulk of the surveys program this year is being done in areas that have been given defence priority, and to a large extent for defence reasons, although it does not appear on the surface to be the case.

Geological Surveys: This is another important item in connection with defence, perhaps indirectly, but one of the important roles that this country fulfils is the supplier of base metals and other strategic minerals. The Geological Surveys carries on some of its work in order to contribute to that production. Again, it is the question of judgment as to how much we can recognize the defence purpose in such an operation as this.

I do not know if you wish me to continue with the items.

Hon. Mr. McDONALD: I think that is sufficient. In other words, it is difficult to know whether it is a cold war or a hot war, and it is a problem to define exactly what is defence and what is civilian work?

Mr. BRYCE: That is right, sir. We find it difficult, and it takes a good deal of effort on our part to disentangle them in cases of individual units. We were just speaking of such things as Mines and Resources; in that case I am told that observatories are engaged in work which, according to the defence authorities, is of quite considerable importance in the study of certain matters in which they are much interested.

Hon. Mr. McDONALD: Certainly the work of the National Research Council and Atomic Energy Board is work being done under the defence program.

Hon. Mr. HORNER: Mr. Bryce, under Item No. 3, National Defence and Defence Production, there is shown Pay and Allowances, Defence Forces and R.C.M. Police, \$14,588,000, an increase of some \$4½ million from a year ago. This is headed "Other than National Defence and Defence Production", so what is the reason for that?

Mr. BRYCE: If you look at R.C.M.P. on the big table under column 3, those figures are entitled Pay and Allowances R.C.M.P. Again, how far are the Royal Canadian Mounted Police engaged on defence service, broadly defined? It is arguable.

The CHAIRMAN: May I interrupt, Senator Horner? I think we would make better progress if we took these items, one, two, three, four, five, in the order in which they appear. We were on Civil Salaries and Wages, and the discussion has branched away from that particular item.

With regard to the explanation that Mr. Bryce gave a moment ago, I presume that departments who want to get their Estimates favourably considered would on occasion try to link them up with defence?

Mr. BRYCE: Undoubtedly, sir.

The CHAIRMAN: That is a problem which the Treasury Board, I expect, has a good deal of difficulty with.

However, can we come back to item No. 1? The explanation given by Mr. Bryce is that there has been a reduction in the total number of employees but that the increase in salaries has more than offset the reduction in employees, with the result that the amount is up approximately \$18½ million. That is the explanation, is it not?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: I think that before we are through we ought to get if possible the total number, Mr. Bryce, to compare with this statement we had a years ago. I have forgotten what schedule it was, but it was very fully given: Under "Reported Numbers of Employees of the Government of Canada" were included Revenue Postmasters and other officials. I do not think we get the correct figure unless we have it all-inclusive. Take the matter of Revenue Postmasters, which constitutes the larger item not included in this \$301 million. It is true that they are not civil servants in the sense that people here who are on monthly wages and salaries are servants, but they are paid out of revenue which otherwise would come to the Government; that is the way they get their remuneration, and of course in that sense they affect the total revenues the Government receives. While they are half in and half out of the Service they can properly be classed as people who get their remuneration from Government revenues. Perhaps you may be able to get these figures. I understand you are working on them now.

Mr. BRYCE: Yes. You told me the committee might wish these.

The CHAIRMAN: We can postpone the further consideration of that matter and come back to it when we get the total number of employees.

Hon. Mr. TAYLOR: Is it not true that last year the Post Office Department transferred a lot of revenue postmasters to the category of salaried postmasters, too?

Mr. BRYCE: Yes, sir, they have been making such transfers. I am not sure if it is still going on. I think it was largely completed last year, so far as they thought they could properly go.

The CHAIRMAN: That is a process which I think has been going on continuously. For instance, a post office may start out as a revenue post office: Business grows, and there comes a point when the postmaster is put on a definite salary, and then that salary would be included in this \$301 million.

Hon. Mr. TAYLOR: I think the postal department made somewhat of a change last year in the regulations with regard to the commissioned and salaried officers. They included more than they ever had before.

The CHAIRMAN: We shall get that information, Senator Taylor, a little later. Are there any other questions on this item?

Hon. Mr. REID: Mr. Bryce, can you tell us why, in this "Summary of Standard Objects of Expenditure" brought down at the back of the Blue Book, under the headings of "CBC and National Film Board", there are only four small items shown, and yet, if you look at the Blue Book, you will find salaries and professional services and travelling fees. In this large sheet, when you look under "Canadian Broadcasting Corporation", there is nothing down for "Civil Salaries and Wages", nothing for "Civilian Allowances", and there are only four small items out of a total of \$1,928,600. Almost the same applies to the Film Board. I am wondering why you picked out the four small items and did not put in this sheet the salaries and travelling allowances for these two corporations. They are not trying to hide any information, I hope?

Mr. BRYCE: No, sir. The reason is this. Let us take, for example, salaries in International Short Wave: They are not salaries of Government employees.

That is the reason why we have treated them differently. I am inclined to feel—and I would like to have the committee give some attention to it in making up its report—that it would be better to show the whole of this item under Category No. 10, "Film Displays, Broadcasting, Advertising, etc.", rather than under "All Other Expenditures," because these are really expenditures on broadcasting. The reason we did not show that \$710,000 for salaries is simply that they were not salaries of Government employees, they were salaries of employees of the Canadian Broadcasting Corporation. But we did give all the information it was possible to give there on the breakdown of the total of \$1,709,000, which we have classed in the "All Other" category.

Hon. Mr. ISNOR: Mr. Bryce, are you correct in saying that Communication Services are classified under "All Other Expenditures", or have you not shown those in Item 8 of your table?

Mr. BRYCE: Communication Services of which?

Hon. Mr. ISNOR: Take Canadian Broadcasting Corporation or National Film, for "Other Services".

Mr. BRYCE: If you look down under column 8, we do not show anything there for our Canadian Broadcasting Corporation or National Film Board. They are carried under the totals.

Hon. Mr. ISNOR: In business, I think, the average firm puts charges for their telephones, telegrams and other communications under one heading, for income tax purposes. I would think that you would do just about the same. You do not follow that policy: you put special services and communications under a separate heading altogether?

Mr. BRYCE: Well, for the great bulk of departments we do.

Hon. Mr. ISNOR: Do what?

Mr. BRYCE: We show, under Telephones, Telegrams and other Communication Services, all expenditure of that nature. But the Canadian Broadcasting Corporation and Film Board expenditures gave us this particular problem that I mentioned, of where we ought probably to classify them. In the case of the Canadian Broadcasting Corporation, since it is just really a payment to a government corporation, and in the case of the Film Board, because of the additional accounting expenditures, it would have been necessary to indicate they were included for their expenditures under all these different heads.

Hon. Mr. ISNOR: The fact remains that it is an expenditure made by a department, and it is revenue received by either the C.B.C. or the National Film Board, is not that so?

Mr. BRYCE: They receive the amounts from the appropriation, yes. In the case of the Film Board—perhaps it might be clear if I explained this—they operate a big working capital account, out of which their wages and salaries and production expenses are paid.

Hon. Mr. REID: There again, though, Mr. Bryce, their administration expenses, which I take it are the expenses of men who are employed, total \$408,454. I cannot understand why in this sheet you even omit that item. It is not on the item that you give of National Films. That administration must consist of steady employees, engaged at head office or other offices.

Mr. BRYCE: There is an explanation, if you will bear with me just a moment. I had a great deal of trouble over these Film Board figures this year. If we look at the details on page 278—I presume that that is what you have in mind—

Hon. Mr. REID: Yes.

Mr. BRYCE: —for the Film Board, you will notice that under the Administration Unit they can segregate their salaries and travelling expenses and so on. Under production and under distribution they have their budget made up, not

in terms of these types of expenditures, but for other purposes that are important. I refer to films for theatrical distribution and films for non-theatrical distribution and such. Now, if we included here only the \$378,000 for salaries, which were administration salaries, that would, we feared, give parliament the impression that that is the total of Film Board salaries, but it is not by any means all the Film Board salaries because the bulk of the salaries are under the figures for "Production and Distribution of Films". They enter directly into the production and distribution costs and they are incurred in the first instance in a large pool. Here the cost of producing the films that belong to the Film Board itself are pooled with the cost of producing films for other government departments including, for example, National Defence, and films produced for outside agencies. These costs are all incurred from this pool in the first instance, and then there is a cost accounting that charges the pooled expenditure out to the Film Board vote in part and out to the other agencies or departments having films produced and distributed for them. So that the figures shown here on page 278 are the Film Board's budget, and they will be able to show parliament at the end of the year how their expenditures have compared with their budget. But if we asked them to show their expenditures broken down in all these normal things, and then asked at the end of the year that they show their actual expenditures compared with their budget under these headings, Mr. Winters and the Chairman of the Film Board both felt that they would have to set up an additional accounting service in the Film Board that would cost \$10,000 or \$15,000. The Treasury Board did not feel that that additional expenditure would be warranted because they felt that the things in which parliament as well as the Treasury Board would be most interested would be the actual expenditures here for films of various kinds and for the distribution of films through various channels, and that the breakdown of both the budget and the accounts in this form was the most useful breakdown. For that reason this is the one that has been used. It may be that the Senate and the House of Commons would feel that it would be worth spending the extra \$10,000 or \$15,000 on accounting services to get the Film Board expenditures on the same sort of basis as the others.

Hon. Mr. HAIG: What would be the difference? I like the idea of telling us what each film costs and have it as part of the cost of the overhead of this \$480,000 or whatever it is. I think that is where the challenge is made against the Film Board.

Mr. BRYCE: That is what they try to do.

Hon. Mr. HAIG: As the senator from New Westminster (Hon. Mr. Reid) suggested, it would give a false impression of the accounts. The public would think that that is the total cost, whereas it is not. I prefer the way you do it because it is really a separate thing. Our challenge against the Film Board is a different thing than the costs. The cost enters into it I admit, but I think the way you have the figures here is a better way to show it than the other way.

Hon. Mr. McKEEN: You mentioned "other agencies". Does the Film Board make films for people other than government agencies?

Mr. BRYCE: Only to a small degree.

Hon. Mr. McKEEN: Are these sold or loaned?

Mr. BRYCE: I think, for example, they have made films for the United Nations or similar international bodies.

Hon. Mr. McKEEN: Not for business corporations?

Mr. BRYCE: Not that I know of.

Hon. Mr. BOUFFARD: They make a certain distribution of their films. I understand they loan their films to special organizations.

Mr. BRYCE: Oh, yes. They make a commercial distribution, and you will notice that they get a certain revenue from these operations.

Hon. Mr. HAIG: As I understand it they make certain films for propaganda purposes. They may cost \$10,000 but they will be rented for \$5,000. I have heard the complaint made that there are not enough of these films made and distributed to the United States and European countries.

Mr. McKEEN: You are speaking about country-wide propaganda. What I mean is that there is no advertising films made for various companies. There might be for provincial governments, but that would be a different class again.

Mr. BRYCE: I believe they did a little commercial processing work a year or two ago. Whether or not they are doing that now I do not know.

Hon. Mr. BOUFFARD: I understand they distribute quite a number of films in the United States?

Mr. BRYCE: Yes. As you will see on page 278, their production of films for theatrical distribution is quite substantial. The item for theatrical distribution includes distribution of films outside of Canada.

Hon. Mr. McKEEN: When these films are sent away, say, to the United States, do members of the staff sometimes accompany the films to make explanations and so on?

Mr. BRYCE: Well, a great many of the films speak for themselves, but in connection with non-theatrical films their distribution service will occasionally send somebody who will exhibit the films and speak about them.

Hon. Mr. McKEEN: I remember that when we were examining this matter previously, we came across heavy travelling expenses and we were told that this expenditure was for the people who went around with the films.

Hon. Mr. McINTYRE: Do they not have a regular staff to exhibit these films in different centres throughout Canada?

Mr. BRYCE: They have some employees stationed in various parts of the country, but you are getting into details where I am hardly the proper witness to discuss them.

The CHAIRMAN: We have had quite a bit of discussion on these items relating to the Film Board. In these totals that you gave us here, Mr. Bryce, broken down into thirty-four headings, all these expenditures are included with the exception of the Crown corporations. As to the Film Board it may be a question as to where its expenditures should appear, but they will appear either in Item 1 or Item 10 or elsewhere.

Mr. BRYCE: Some of them are in the equipment item.

The CHAIRMAN: What we are concerned about, it seems to me, is the total of all these expenditures. We cannot hope to go into detail in all the various departments and see whether or not they are spending money wisely or unwisely. I think we would make more progress if we were to stick to an examination of total expenditures at all levels of government. On the first item "Civilian Salaries and Wages" it seems to me that a very reasonable explanation has been given to the increase there. Can we go on to "Civilian Allowances"?

Hon. Mr. HAIG: Sure, let us get on.

The CHAIRMAN: "Civilian Allowances" has increased roughly \$425,000. Can Mr. Bryce give us an explanation of that increase?

Hon. Mr. REID: What is meant by "Civilian Allowances"?

Hon. Mr. HAIG: That is what I should like to know.

Mr. BRYCE: It includes living allowances, for example, in the far north; special stenographic allowances. At one time we paid our stenographers an extra \$5.00 a month for being stenographers rather than typists. It also includes living and representation allowances abroad.

Living and Representation Allowances Abroad are for our diplomatic staff, and so on. The Special Service Allowances are such as are paid to, let us say, an officer who may be in charge of a small unit, whereas normally an officer of his qualifications would not have supervisory responsibilities, as in one of the Department of Transport meteorological offices. Then there are mileage allowances to railway mail service staffs; and allowances for assistants—I must say that I do not fully understand that. I think that in certain cases an employee has to provide himself with certain clerical assistance. Northern Allowances and Isolation Allowances are the allowances paid to men who serve away up in the far north, where the costs of living and conditions are such that an additional amount is paid over and above the salary. Then there are board and subsistence allowances and other such allowances for civilian government employees. Also included are ministers' motor car allowances and the expense allowances to senators and members of the House of Commons.

Hon. Mr. HUGESSEN: I can understand why civilian allowances for the Department of External Affairs are larger for the current year than for last year, but can you explain, Mr. Bryce, why the civilian allowances for the Department of Transport are higher this year? According to the figures given they are \$1,601,400 for this year, as compared with \$1,420,564 for last year.

Mr. BRYCE: That increase will be largely accounted for, sir, by those northern allowances to employees in the north.

Hon. Mr. BOUFFARD: What do they do up there?

Mr. BRYCE: Oh, they are on weather stations, and at airports—doing various things up there.

Hon. Mr. McKEEN: The men at Port Churchill would get special allowances, would they not?

Mr. BRYCE: I do not believe the northern allowances, properly so called, apply to Port Churchill, but I think the men up there do get some sort of allowance.

Hon. Mr. HUGESSEN: These allowances would be mainly for men at air stations and meteorological stations?

Mr. BRYCE: Yes.

Hon. Mr. HAIG: I think it is a mistake to pay anyone an extra allowance for living at Port Churchill. It is a lovely place to live at. The accommodation is first class and people should pay to live up there.

Hon. Mr. McKEEN: How long did you stay there?

Hon. Mr. HAIG: As long as they would allow me to stay. They flew me in on the fastest machine they have and kept me there as long as they possibly could.

The CHAIRMAN: Are there any further questions on No. 2. If not, we will go to item No. 3, "Pay and Allowances, Defence Forces and R.C.M. Police." I am sorry that Senator Horner is not here, because he raised a point on this just a moment ago. There is an increase in this item over last year, an increase of roughly \$4,400,000.

Mr. BRYCE: That is altogether for the R.C.M.P., sir.

Hon. Mr. REID: This table is headed "Departments other than National Defence and Defence Production", yet this third item is for pay and allowances for defence forces and R.C.M. Police.

Mr. BRYCE: It is entirely for the R.C.M.P. pay and allowances, sir.

Hon. Mr. REID: Then the words "Defence Forces" should be stricken out?

Mr. BRYCE: That is right, sir. This is the same category that carries right across our whole table. This is entirely R.C.M.P.

Hon. Mr. HUGESSEN: The big sheet shows that this covers nothing but R.C.M.P.

Hon. Mr. McKEEN: Is that increase in expenditures for the R.C.M.P. caused in part by the assuming of policing in new districts and new provinces?

Mr. BRYCE: In part, sir, but only a relatively small part. As I recall it, the take-over in British Columbia and Newfoundland occurred about last August, so there would be about eight months of that expense in last year's figure, and there would be only an amount for the extra four months in those two provinces.

Hon. Mr. McKEEN: How much of this increase is set off by revenue?

Mr. BRYCE: That is shown in the estimates, sir.

Hon. Mr. BURCHILL: At page 418.

Mr. BRYCE: My recollection is that we are charging the provinces about \$1,400 each for the R.C.M.P. constables and they cost us about \$4,200.

Hon. Mr. McKEEN: What we are concerned about is the increased cost. If there is an increased cost that is offset by other income we are not being given a true picture here. This statement shows an increase in expenditure of \$4 million. But it may be that there should be some deduction from that because of revenue.

Mr. BRYCE: The increase in revenue for the fiscal year to the past one is from \$1,300,000 to \$2,300,000, an increase of approximately \$1 million.

Hon. Mr. McKEEN: So there should be a credit of \$1 million applied to this estimate of \$14 million, reducing the estimate to \$13 million?

Mr. BRYCE: Yes.

Hon. Mr. HUGESSEN: Why do you charge the provinces less than the constables cost you?

Mr. BRYCE: I would prefer that you asked the Minister of Justice that, sir.

Hon. Mr. HAIG: I can give you the answer. In each province the constables are doing double duty; that is, duty for the federal government as well as for the provincial government. If the province of Manitoba was not using the services of the R.C.M.P., the R.C.M.P. would be there in any event to see that the federal laws were enforced.

Hon. Mr. HUGESSEN: From what Mr. Bryce said I gathered that we are charging the provinces only about one-third of the actual cost of the constables.

Mr. BRYCE: I am speaking from memory. My recollection is that we charge the provinces about \$1,400 per annum for each constable, and that the cost to us is something more than \$4,000.

Hon. Mr. REID: It would be a good question to put to the Minister of Justice.

Hon. Mr. HAIG: I was a member of the Manitoba Legislature when that province decided to use the services of the R.C.M.P., and my recollection is that the amount which the province paid the federal government for the policing was practically found money for the federal government.

Hon. Mr. REID: Not in British Columbia.

Hon. Mr. McKEEN: Is the amount paid by a provincial government for policing by the R.C.M.P. less than what the policing by its own men cost the province?

Hon. Mr. HAIG: Yes.

Hon. Mr. ISNOR: There is no question about that.

Hon. Mr. McKEEN: I would like to get that information.

Mr. BRYCE: I believe that is the fact, sir, but I only speak from an indirect knowledge of it. To answer your question properly, sir, we would have to try to make a study of what the increase in our costs was when we took over the British Columbia policing, for example, as compared with what the province had expended.

Hon. Mr. McKEEN: I was surprised by your statement, because the police themselves are complaining they get less money from the federal government than they got from the provincial government.

Mr. BRYCE: I think that on the whole we pay better than the provincial governments did in the provinces where we have taken over the service but that there may be individual cases where we paid less.

Hon. Mr. McKEEN: The complaints to which I refer may have come from isolated cases.

Hon. Mr. REID: In my municipality, where there used to be nine municipal police constables, the R.C.M.P. force is eighteen, so the policing must cost the federal government far more than the previous cost.

Hon. Mr. HUGESSEN: In the provinces where the policing has been taken over by the R.C.M.P. did the federal government formerly pay anything to the provincial authorities for carrying out Dominion duties?

Mr. BRYCE: No, sir. In every province there was a R.C.M.P. force which would see to it that the Dominion laws were carried out.

Hon. Mr. BOUFFARD: When you say that it costs about \$4,200 for each constable are you including the salary and other expenses, such as the upkeep of the houses in which the police are lodged?

Mr. BRYCE: That is right, sir, it is the total cost of maintaining a constable.

Hon. Mr. BOUFFARD: But you have not included the cost of cases on which they work?

Mr. BRYCE: No, sir. The figure of \$4,200 was given from memory. We altered the pay and allowance structure of the R.C.M.P. quite substantially last December, and that figure may not be accurate.

Hon. Mr. BOUFFARD: Do I understand that when the R.C.M.P. works on a provincial case the province pays the cost of the work done by the constables in addition to the \$1,400?

Mr. BRYCE: I believe that is so, sir. There is a point at which these sort of legal expenses commence and the ordinary administration expenses of the police force end, and that information would have to be got from the R.C.M.P., sir.

Hon. Mr. GOLDING: Mr. Bryce, do you agree with Senator McKeen's estimate, that this is only an increase of \$3 million from the previous year?

Hon. Mr. HAIG: Yes.

Hon. Mr. GOLDING: But you do not take off the revenue from the previous year when you arrive at that estimate?

Hon. Mr. McKEEN: I am taking the difference, though it is very rough. I asked a question and as I understand the answer I got it was that the amount required for pay and allowance is a little over \$4 million, but as a result of increased expenditures by reason of taking over the policing of British Columbia, that province pays an additional \$1 million; therefore, there is not necessarily a loss of that total amount. It means that more money is being spent, and more is being brought in.

Hon. Mr. GOLDING: But we are told what is the revenue for 1950-51, when the expenditure was \$10,157,000. Now, what is the revenue for 1951-52? We have to get the revenue for both years?

Hon. Mr. HAIG: He gave it.

Hon. Mr. McKEEN: I asked for the additional revenue.

Mr. BRYCE: I am sorry, Senator. The increase of \$1 million was between 1949-50 and 1950-51. I do not have the revenue for the current year, nor any forecast of it. It is a little hazardous to project this, because there are sometimes

various settlements in the taking over process in respect of non-recurring items. But the revenue last year was of the order of \$2,300,000 which may be set off against the total cost of the R.C.M.P., which would be \$27½ million all told.

Hon. Mr. ISNOR: Mr. Chairman, Senator Hugessen asked a question, and I do not think he received a very clear answer. It was with respect to the cost of the R.C.M.P. in carrying on certain duties for which the provinces pay the R.C.M.P. for their services. As I recall it, in 1932 the province of Nova Scotia entered into a contract with the Dominion government for the policing of that province, at an expenditure of \$150,000 for 100 men. The cost to the province prior to that under the provincial policing system was \$263,000. The R.C.M.P. performed certain services which were previously carried on by the protective force, under National Revenue. Of course, I do not suppose there was any smuggling along the coastline of Nova Scotia—

Hon. Mr. HAIG: Oh no.

Hon. Mr. ISNOR: —but it has been said that there was. Since the R.C.M.P. took over they have performed all those duties, and they have a marine section.

Hon. Mr. McKEEN: Did they cut down the smuggling?

Hon. Mr. ISNOR: It has cut down the cost to the government. Is that an answer to the Senator's question?

Hon. Mr. HUGESSEN: Yes. I was thinking of the recent take-overs.

Hon. Mr. BURCHILL: It may be interesting to point out that not only are the provinces policed by the R.C.M.P., but the towns and municipalities are also policed by them; certainly more money was spent previously for the provincial police than is now being spent for the R.C.M.P. I think these areas are better off financially, and the R.C.M.P. are giving better service.

Hon. Mr. ASELTIME: The R.C.M.P. was already established in those towns.

Hon. Mr. BURCHILL: No, not in the East.

Hon. Mr. ASELTIME: In most cases they were; it didn't cost them any more to police the towns, than otherwise.

The CHAIRMAN: At any rate, Mr. Bryce, this amount of \$14½ million is practically all for the R.C.M.P.?

Mr. BRYCE: It is.

The CHAIRMAN: Do we need discuss that further?

Hon. Mr. HAIG: No.

The CHAIRMAN: Then let us take Item 4, Professional and Special Services. That shows an increase of approximately \$2½ million over last year. Perhaps we could get some information on that increase.

Mr. BRYCE: That increase is almost entirely due to the enumerators for the census.

Hon. Mr. HAIG: Passed.

Mr. BRYCE: If you look under Trade and Commerce, you will see that the increase is almost entirely concentrated on the enumerators, who are paid so much a name, I think.

The CHAIRMAN: Any further questions on that?

Hon. Mr. BURCHILL: Carried.

Hon. Mr. HUGESSEN: You say that is almost entirely for the enumerators of the census?

Mr. BRYCE: I mean, the increase over last year.

The CHAIRMAN: Are there any further questions on that item? If not, we will go to No. 5, Travelling and Removal Expenses. That is almost \$14 million, but it is only a hundred dollars over last year.

Hon. Mr. HAIG: \$100,000.

Hon. Mr. ASELTINE: But it is a lot more than it was in 1938 and 1939.

The CHAIRMAN: We will have to keep in mind that this is purely non-defence and not Defence Production, for in the National Defence and Defence Production Schedule the travelling and removal expenses are shown at \$22,360,000, making an over-all total for defence, Defence Production and Civilian of \$36 million for travelling expenses, or an increase from \$27 million of a year ago, which is practically all for defence. Are there any questions on that item? Personally, I think our travelling expenses have been climbing rather rapidly, though it may be necessary.

Hon. Mr. ISNOR: It is now approaching 1 o'clock, and No. 5 is a big item, Mr. Chairman.

Hon. Mr. HAIG: I move we adjourn.

The CHAIRMAN: Mr. Bryce, can you meet with us tomorrow morning at 11.30?

Mr. BRYCE: Yes.

The CHAIRMAN: Then the committee will resume consideration of Item No. 5 tomorrow morning. Before adjourning I am advised by the Clerk that if we are to have the proceedings printed, we will require a motion.

Hon. Mr. BEAUBIEN: There is no hurry for the motion.

The CHAIRMAN: No, but if these proceedings are going to be of any use to us they should be printed.

Hon. Mr. HAIG: I think they should be printed.

The CHAIRMAN: Then shall I make a report to the House this afternoon accordingly?

Agreed.

The committee adjourned until tomorrow morning at 11.30.

APPENDIX A

SUMMARY OF ANNUAL ESTIMATES BY STANDARD OBJECTS OF
EXPENDITURE AND SPECIAL CATEGORIES

DEPARTMENTS OTHER THAN NATIONAL DEFENCE AND DEFENCE PRODUCTION

	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(1) Civil salaries and wages	301,856	282,157	276,741	74,271
(2) Civilian allowances	6,393	5,964	5,172	1,183
(3) Pay and allowances, R.C.M. Police.....	14,588	10,157	8,227	3,750
(4) Professional and special services	26,676	24,041	22,155	4,104
(5) Travelling and removal expenses	13,946	13,802	12,808	3,504
(6) Freight, express and cartage	2,379	2,159	2,097	479
(7) Postage	3,023	3,092	2,918	449
(8) Telephones, telegrams and other communica- tion services	4,859	4,635	4,475	689
(9) Printing of departmental reports and other publications	3,905	4,018	3,950	.....
(10) Films, displays, broadcasting, advertising, etc.	4,850	5,083	4,373	1,794
(11) Office stationery, supplies, equipment and furnishings	11,235	11,500	11,356	2,464
(12) Materials and supplies	39,438	37,601	32,920	5,957
<i>Buildings and works, including land</i>				
(13) Acquisition and construction	114,252	145,634	144,949	30,631
(14) Repairs and upkeep	15,643	18,944	15,103	2,958
(15) Rentals	8,034	8,031	7,194	1,763
<i>Equipment</i>				
(16) Acquisition and construction	15,695	19,200	16,482	2,013
(17) Repairs and upkeep	5,056	5,017	4,386	584
(18) Rentals	774	886	597	.....
(19) Municipal and public utility services	5,717	5,334	4,371	924
(20) Grants, subsidies, etc., not included else- where	60,163	105,591	116,023	50,629
(21) Pensions, superannuation and other benefits	12,406	11,132	9,168	5,446
(22) All other expenditure (other than special categories)	14,319	19,175	33,471	12,254
Total standard objects	685,207	743,153	738,936	205,846
<i>Special categories</i>				
(23) Interest on public debt and other debt charges	437,642	433,046	451,441	132,368
(24) Subsidies and special payments to the provinces	115,135	106,335	127,365	21,210
(25) Family Allowance payments	320,000	307,000	284,880	.....
(26) Old Age Pensions, including pensions to blind	111,350	104,697	74,646	30,541
(27) Veterans disability pensions and other pay- ments under the Pension Act	97,105	99,739	101,589	40,920
(28) Other payments to veterans and dependents	54,156	63,575	92,929	9,445
(29) Government's contribution to the Un- employment Insurance Fund	27,500	23,000	23,000	.....
(30) General health grants	25,000	25,000	33,200	.....
(31) Trans-Canada Highway contributions.....	15,000	20,250	.....	.....
(32) Movement of mail by land, air and water (Post Office)	36,471	33,557	34,104	15,574
(33) Deficits—Government owned enterprises...	2,604	3,238	49,407	57,185
Total special categories	1,241,963	1,219,437	1,272,561	307,243
Total standard objects and special categories...	1,927,170	1,962,590	2,011,497	513,089
(34) Less estimated savings and recoverable Items	4,466	4,618	2,582	104
Net total estimated expenditures.....	1,922,704	1,957,972	2,008,915	512,985

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Government
Publications



PROCEEDINGS

OF THE
STANDING COMMITTEE
ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 2

THURSDAY, MAY 17, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman

The Honourable Senators

Aseltine	Fogo	McIntyre
Baird	Golding	McKeen
Barbour	Gouin	McLean
Beaubien	Haig	Moraud
Bouffard	Hayden	Paterson
Buchanan	Horner	Petten
Burchill	Howard	Pirie
Campbell	Howden	Reid
Crerar	Hugessen	Robertson
Davies	Hurtubise	Roebuck
DuTremblay	Hushion	Ross
Euler	Isnor	Taylor
Fafard	King	Turgeon
Farquhar	Lacasse	Vaillancourt
Farris	Lambert	Veniot
Ferland	McDonald	Vien
		Wilson

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951:

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31st, 1952, in advance of the Bills based on the said Estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,

Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 17, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.30 a.m.

Present: The Honourable Senators:—Crerar, Chairman; Aseltine, Barbour, Beaubien, Bouffard, Buchanan, Burchill, Campbell, Golding, Gouin, Haig, Hayden, Horner, Hugessen, Isnor, McDonald, McIntyre, McKeen, McLean, Reid, Taylor, Turgeon and Wilson—25.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

In the absence of the Chairman, and on motion of the Honourable Senator Reid, the Honourable Senator Bouffard was elected Acting Chairman.

The Honourable Senator Bouffard vacated the Chair.

The Honourable Senator Crerar took the Chair.

Mr. R. B. Bryce, Assistant Deputy Minister, Treasury Board Division, Department of Finance, was again heard.

At 1.00 p.m. the Committee adjourned until Tuesday next, May 22, 1951, at 11.00 a.m.

Attest.

John A. Hinds,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, May 17, 1951.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1952, met this day at 11.45 a.m.

Hon. Mr. REID: As the Chairman, Senator Crerar, is not here, I move that Senator Bouffard take the Chair, so that we can get started.

The motion was agreed to.

Hon. Mr. Bouffard in the Chair.

The ACTING CHAIRMAN: Honourable members, I take it that the Committee wishes Mr. Bryce to continue his testimony?

Hon. Mr. HAIG: Yes.

The ACTING CHAIRMAN: Mr. Bryce will you come forward, please?

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, was recalled as a witness.

The ACTING CHAIRMAN: Mr. Bryce, before we adjourned yesterday we had just reached item No. 5 on this summary of estimates for departments other than National Defence and Defence Production, that is the item entitled "Travelling and Removal Expenses." Would you now be good enough to give your explanation of that item?

Mr. BRYCE: I think the nature of this item is fairly clear from the title; and the explanation is of course given on the back of the big sheet, under item No. 5. As stated there, it includes travelling, transportation and removal expenses of government employees, members of the Defence Forces and the Royal Canadian Mounted Police. It also includes living and other expenses of such persons on travel status, Judges' travelling expenses, and travelling expenses and allowances payable to senators and members of the House of Commons.

Hon. Mr. Crerar, Chairman of the Committee, having come, the Chair was vacated by Hon. Mr. Bouffard.

The CHAIRMAN: I apologize to the Committee for my delay in appearing here. Quite frankly, I may say that a friend came in and I did not realize that it was so late. I think it may be a good idea for the Committee to appoint a Deputy Chairman, for there may be occasions when I shall be delayed getting here. However, we can think that over and take it up at our next sitting.

Hon. Mr. HAIG: Mr. Bryce was explaining item No. 5 on the table of estimates. Will you go ahead, Mr. Bryce?

Mr. BRYCE: This item of travelling and removal expenses includes such expenses for government employees and for Judges, senators, members of the House of Commons and others. It does not include the travelling and transportation expenses of persons other than government employees, such as persons subject to deportation, applicants for treatment or for pensions under the Department of Veterans Affairs, which are included in another item, item No. 22, "All other Expenditures".

Hon. Mr. HAIG: When I travel on my identification certificate does the government pay a charge for that transportation?

Mr. BRYCE: I do not think so, sir.

Hon. Mr. HAIG: That travel is authorized by statute.

Mr. BRYCE: Yes, sir. I do not believe the railways recover that cost, sir.

Hon. Mr. REID: Why was there that great jump in these expenses from \$3 million to \$12 million between 1939 and 1950? Is that explained by all the extra people who were travelling on government work during the war? An increase of \$9 million for travelling expenses is a pretty big one.

Mr. BRYCE: I think one reason is that government activities that give rise to a considerable amount of travel have expanded. For instance, inspection services in the Department of Fisheries and the Department of Agriculture have expanded.

Hon. Mr. REID: What checks are kept on travelling?

Mr. BRYCE: We have very elaborate regulations governing claims for travel, as to what may be claimed and in what circumstances. The check on the number of times or the purposes for which persons may travel is of course a departmental matter and is subject to the vote and the allocations in the vote that each department gets from the government and the Treasury Board; so that basically one might say that the details on which reimbursement may be claimed are rigidly controlled, but that the actual use of travel allotments in the estimates for this purpose or that purpose is subject to the control of the department rather than to any central control.

Hon. Mr. HORNER: I take it that such an increase is typical of the general trend in any socialistic state. The number of employees increases, inspection increases, and so on, and the more of that we have the more will the expenses grow.

Mr. BRYCE: I would point out, sir, that a good part of the increase comes under the Department of National Defence. If one looks on the second table, the table for Defence and Defence Production, it will be seen that the travelling expenses before the war on defence matters were approximately \$1 million, and after the war were \$22 million. Of course that does not affect the table we are looking at now, but it is an indication of the way in which the total amount in each table is affected.

Hon. Mr. HAIG: As a senator who has to travel quite a distance to get from my home to Ottawa, I used to notice during the last war a tremendous movement of officers and other defence personnel between one part of the country and another. There is still some of this moving about, but not so much. I talked to some of those people, and I found that after they had been two or three weeks out in British Columbia they were shipped back to Ontario or Nova Scotia; and after they had been there a short time they would be shipped to some other part of the country. I am referring to movements of quite a number of people at one time, not of just one or two. Is there any way in which the Department of Finance could force the Department of Defence to control that kind of movement?

Mr. BRYCE: Well, sir, one way in which we could arbitrarily limit it is this: The Treasury Board could simply say that they may use only a certain amount of their vote for travel purposes and that they had to live within that. The problem there is that, in determining the amount, one has either to be arbitrary or to be guided by the departments or the officers and ministers responsible. In determining how often and for what purpose it is necessary for officers, either civil or military, to travel, the exercise of a good deal of judgment is required. For instance, I know that on some Defence matters we have found in recent years that it was of considerable help to have one of our own staff go and see on the spot certain of the defence construction projects for which we were being

asked funds. We found it was possible by reason of some on-the-spot knowledge of the problem to suggest ways of saving money that amounted to many times the cost of the travel involved. No, you cannot determine that sort of thing very easily from outside. It requires a good administrative judgment. Whether that type of judgment is being exercised in individual departments is a matter that is exceedingly difficult for those of use at the centre to be able to tell. It is really something that the minister concerned and the deputy minister and senior officers of each department have to look at quite conscientiously and carefully, we feel.

The CHAIRMAN: Mr. Bryce, if we turn to the table for National Defence and Defence Production, we find that the total amount for travelling and removal expenses this year is more than \$22 million. Would that include the movement of groups from Canada to Korea, for instance?

Mr. BRYCE: I think it would, sir. You will notice that the estimate is very much over the amount for last year. I think that would cover the movement of a substantial body of troops.

Hon. Mr. HAIG: We did not move many troops, only four or five thousand. It would not cost \$22 millions to move that number of troops, surely.

Hon. Mr. HORNER: Would that include the amount paid to the American government for the maintenance of our troops in the United States?

Mr. BRYCE: No, sir. It would cover only the cost of their travel and their subsistence while they were travelling. I appreciate, sir, that the increase from last year to this year is from \$14 million to \$22½ million.

The CHAIRMAN: If we take the figure for last year, which is almost \$14 million, there were no troop movements in that year to Europe or Korea, were there?

Mr. BRYCE: Yes, the Princess Pats.

The CHAIRMAN: Yes, the Princess Pats. Well, gentlemen, it does seem to me that the total amount of Travelling and Removal Expenses in Defence and Non-Defence, which amounts to more than \$36 million, appears to be quite a large item. Then coming back to item No. 5, which we are now considering, in the amount of \$14 million for Non-Defence, that presumably covers travelling within Canada, and it includes also travelling expenses of Canadian representatives attending various international conferences. Even at that, it appears to me to be a pretty large figure.

Mr. BRYCE: Perhaps you would allow me to make one observation on that, Mr. Chairman. I think if the committee would note the departments in which travelling is a substantial item, it will indicate a little of the nature of the travel. You will note the big item in Agriculture, where a good deal of travelling is related to inspections of one kind and another; that is for the travel of those persons engaged in operations in Canada. In the Department of Citizenship and Immigration, a good deal of the travel cost there is for immigration officers who have to travel not only in Canada but abroad; and also, for those who travel on Indian Affairs matters. The External Affairs Department: That is fairly evident, as you will note.

The CHAIRMAN: What is the item for Agriculture?

Mr. BRYCE: \$2,879,000.

The CHAIRMAN: And for Citizenship and Immigration?

Mr. BRYCE: \$827,000.

The CHAIRMAN: And for External Affairs?

Mr. BRYCE: External Affairs is \$476,000. That includes, I believe, the cost of delegates going to conferences, and includes persons other than from the department.

Hon. Mr. REID: That is a rather important item, because it is growing more and more. Some check will have to be taken some day, if not now, regarding the excessive travelling of men attending conferences.

Hon. Mr. McKEEN: Is the Agriculture item, Mr. Bryce, mostly for inspectors who inspect cattle, wheat and such, rather than for attending conferences?

Mr. BRYCE: I believe it is. One would have to look through the individual votes to verify that. When I have looked at Agriculture in the past, with their travelling expenses in mind, the impression I derived was that a good deal of it arose from the inspection and testing work that is done throughout the country. We cannot send men around to all the various plants and farms without heavy expenses.

Hon. Mr. McKEEN: Would the costs of travelling of the various committees and commissions, such as the Halibut Commission, come out of their budgets, separate from this item?

Mr. BRYCE: Their travelling would be under votes for them, in those cases.

Hon. Mr. HORNER: Would the \$2 million odd for Agriculture include, for instance, trips to England in connection with the sale of wheat and the search for payment?

Mr. BRYCE: It would, sir, but of course that would be relatively modest compared with the large amounts in such things as—

Hon. Mr. REID: It is difficult to understand the amount charged to Agriculture, because Agriculture usually has a branch in every province. I know in B.C., we see the odd man only now and then, yet the department is spending \$2,879,000 for travel. That to me is a lot of money, especially when there are branches in every province, from which officials handle the agricultural affairs there. It seems to me to be very excessive. Is there any check on it?

Mr. BRYCE: The check is by the department on the amount of travel their officers do; we budget their requests for travel each year. The Treasury Board is sensitive, as the committee is, on the subject of travelling expenses, but it is one of those things where it is terribly difficult to know how one can apply an objective standard when so much depends on the judgment of the department as to whether an individual trip is necessary. I think it is fair to say that the Department of Finance has found it difficult to suggest to the Treasury Board a standard that one can apply in determining how to judge whether a trip is necessary, unless one is concerned directly with the administration of the services involved.

Hon. Mr. REID: You see, it is up \$45,000 this year.

Hon. Mr. McDONALD: I was about to remark, Mr. Chairman, that there is a tremendous amount of travel called for today under P.F.R.A. in the western provinces. I know from experience in the Agriculture Department in the Province of Nova Scotia that the farmer is increasingly demanding more and more from experts in the Department of Agriculture, and this means more travelling.

Hon. Mr. HORNER: What part do the provincial governments take in that field? In the Province of Saskatchewan for the inspection of bulls and all that, there is a fund of \$500,000 taken from the farmers, collected at the rate of \$2.00 a head on each animal with horns. As I say, the fund is now in excess of \$500,000, and is to do a lot of work that would otherwise be done by the federal government, and formerly was.

Hon. Mr. HUGESSEN: Looking at the details of services in the Department of Agriculture, at page 93 of the Estimates, under the heading "Administration of Animal Contagious Diseases Act, and Meat and Canned Foods Act", the travelling expenses are shown at \$425,000. That is the largest single item that

goes to make up the \$200 million odd. What is the reason for the necessity of such large expenditures in that particular branch Mr. Bryce? I note it has gone up \$100,000 from last year, when it was \$325,000.

Mr. BRYCE: The work of that branch has increased quite considerably in recent years, both because of the cattle problems and also because of the outbreak of Newcastle Disease in poultry. The \$325,000 for the preceding year is the amount that was provided in the Estimates for that year, but it may well have been exceeded and further funds advanced for that purpose from other headings during the year. As I recall, the increase in the intensity of the work of that unit commenced nearly a year ago, rather than just within the last few months. There were supplementary estimates for the administration of that unit, as I recall, late in March. I would not like to suggest, sir that that increase as shown is a true picture of the increase in expenditure. The nature of that work is such as to require a great deal of local travel, as I understand it; it is not travel from Ottawa to the West Coast, for instance, but is rather travel out from the centres where the various veterinarians and inspectors are stationed.

Hon. Mr. HORNER: You mentioned the Newcastle Disease. A very large amount of money was spent in the vicinity of New Westminster. I wonder if they reimbursed the farmers at an excessive rate?

Hon. Mr. REID: They were very generous with the poultry farmers out there. But what I would like to know, Mr. Bryce—looking now at page 94 "Livestock and Poultry"—I see no estimates for travelling allowance.

Hon. Mr. McKEEN: On page 95 it shows \$194,700. It is down from \$197,000—maybe the livestock is cured.

The CHAIRMAN: Do you see the item, Senator Reid?

Hon. Mr. REID: Yes.

The CHAIRMAN: Anything further on this item?

Hon. Mr. ISNOR: Yes, Mr. Chairman I am wondering whether we are pursuing the proper course. We all have our own particular departments in which we are interested; and if we deal with travelling expenses as they affect each and every one of the departments, I do not think it is fair to the witness, nor will we accomplish what we are trying to do. I think, if we looked at the all-over picture we would make more headway. We are anxious to make savings wherever possible. That, as I understand it, is the purpose of your committee. If we look at the figures before us for 1938-39 and those for 1949-50, and glance at item 5, Travelling and Removal Expenses, we shall see that they increased four times in that ten years; they show a further increase in the following year, and the year following that; so that the over-all picture shows something like seven or eight times more expenditure in travel of the various departments. I think it would be almost impossible for Mr. Bryce to tell us about each and every department, but he can tell us as to whether the policy of travelling has been extended along lines of air instead of the cheaper method and whether the officials are using air travel today in place of rail service, and if that has brought about a large proportion of the increased cost.

Hon. Mr. McKEEN: It is no more expensive.

Hon. Mr. ISNOR: It all depends where you are going, and so on. It is a matter of judgment, I think. Some firms, when they are sending a person to attend a convention—

Hon. Mr. McKEEN: I mean, I judge by the cost of fares for my own travelling.

Hon. Mr. ISNOR: Or is there some other reason for the large increase—which, as I have pointed out, is seven or eight times as large today as compared with 1938?

Mr. BRYCE: To speak briefly on this matter: If you will notice, the item for "Travelling and Removal Expenses", all told, is about four times what it was in 1938-39. Our payroll—that is, our civil payroll—is also about four times as large, so there has not been a great increase in the proportion of travelling and removal expenses to the over-all payroll expenses. That suggests, to me, that there has not been a major change in practice.

In regard to the practices in respect to travel I have to speak with care, because I was not engaged in this sort of work before the war, but my impression would be that the Government is carrying on more functions now of a type where a large amount of routine travel is involved. For example, if one takes the employment service, the Unemployment Insurance Commission did not exist before the war, and that service gives rise to a good deal of travel, both local and from headquarters in supervising local and regional offices. You cannot undertake services that reach into every corner of the country, the way this does, without incurring travelling expenses.

The second point I would make is that we have now a considerably larger role in matters of research and surveys and things of that sort. This type of activity gives rise to many proposals for travel. Now in the surveys work, for example, you cannot carry it on unless you have travel expenses in the sending out parties. That sort of travel shows up under the head of the Department of Mines and Technical Surveys. Resources and Development also do some of that kind of work. You will notice that both of those have fairly large travel and removal expenses, associated with their type of survey work. Finally, the carrying on of work of a scientific or research character means that very often departments feel that the sort of man who is engaged in this work will derive a good deal of benefit from going about and seeing what others are doing, or attending conferences or meetings where the subjects on which he is working are discussed. It is an exceedingly hard task, I have found, to be able to exercise from outside an independent judgment as to whether a department is permitting or encouraging its scientific or technical or professional officers to go to too many or too few meetings of this kind, or to go travelling to see what others engaged in the same sort of work are doing. Those who carry on this sort of work have got to take, I think, the primary responsibility for determining how much of this type of travel is necessary. That is the kind that we find most difficult to judge, not the routine travel of fisheries guardians or agricultural inspectors, but the travel of scientific and technical officers who are being sent to various kinds of meetings and functions. On the whole, I do not think that is a large fraction.

Then, of course, and finally, are the international meetings, of which there are scores now, to which the Government of Canada feels it appropriate and necessary to send delegations. I know that the Department and the Secretary of State for External Affairs are continuously pressing to keep these delegations down. But the way the conferences are organized often makes it very difficult to keep the number of one's delegation below a certain size if Canada's delegation is going to take an active part in the various types of work that are to be carried on at the international meeting. You have, let us say, a budgetary and administrative committee being set up, operating at the international conference. We in the Department of Finance endeavour to supply a man frequently for delegations going to these conferences, to try to keep their budgets down, and I think on the whole that has proved very worth-while, but it has meant that we have had to incur substantial expenses for travelling,—travel to Europe, travel to New York, travel even to South America—of a character that we only very rarely had to assume before the war. That is all part of the whole process of carrying on international negotiations and conferences. Again it is a question

of judgment as to whether it is necessary to go, and the size of delegation that it is necessary to send. Certainly we have felt that when we have sent men to deal with budgetary and administrative and financial matters at such conferences, the expense of sending them has, over the long term, been more than amply repaid in the success we have had in cutting down the budgets of these organizations and, therefore, the amount that Canada has to contribute to them.

Hon. Mr. ISNOR: There is a supplementary question I would like to ask. I would like to follow that, if I may. Are you through with your statement?

Mr. BRYCE: Yes. I am not sure that I have answered all the points. You did mention air travel: perhaps I can speak briefly on that. The travel regulations do specify the sort of circumstances and the sort of authorities that are necessary for air travel. I may say that in recent years the Treasury Board has been coming more and more to recognize, and certainly many departments have been arguing, that air travel is an economy. The difference in cost in going to a great many places is very little, and it is a question then of balancing the saving in the time of the officer concerned against the additional cost, whatever it may be, of air travel. I think, broadly speaking, we now give senior officers in departments a considerable element of discretion in deciding whether the saving in time in sending their officers by air, or employees of any kind by air, rather than by train, is worth the additional cost, if any, that is involved. So that there is more air travel, but on the whole I would say that that has not added significantly to the cost of travelling allowances. The great bulk of this is not for air travel at all. I should think that the largest individual amount is for automobile costs; reimbursing our employees for using their cars when out on inspection trips.

Hon. Mr. BOUFFARD: What is the price per mile?

Hon. Mr. ISNOR: The mileage allowance.

Mr. BRYCE: I believe on normal local travel it is 9 cents a mile at the present time. If an employee is going on a trip where he could go normally by train or by bus or something of that kind, we allow him usually 3 cents a mile, so there is no inducement for an employee to take his own car where he can travel by public conveyance. But where he is engaged in the kind of work in which he has to use his car a great deal, the normal rate is 9 cents a mile.

Hon. Mr. ISNOR: The other question I had in mind was whether Mr. Bryce could, without too much trouble, compile for our future meetings the travelling expenses on an index basis, taking 100 per cent for the 1939 period. This only applies to the Defence Department. The two factors to be taken into consideration would be the establishment and the travelling expenses at that time as compared with our present establishment and travelling expenses. In that way we could find out what the actual increase has been.

Mr. BRYCE: This is for the Armed Services only?

Hon. Mr. ISNOR: Yes.

Mr. BRYCE: Yes, we could do that, but it may take a little time to ferret out these figures.

Hon. Mr. TURGEON: Largely as a result of the statement which was properly made by Mr. Bryce I was under the impression that it was the disposition of this committee, which is a very important Senate committee, to study the most burning question in Canada today—the high cost of living. That is why we have before us the expenditures of provincial and municipal governments as well as those of our federal government. I am a little afraid that in the short time left before the session ends, no matter how justifiable might be our inquiries into individual expenditures, and no matter how useful the results of those inquiries might be later on, we would not have time to deal with the question of the relationship of government expenditures on all levels to the

inflation and the high cost of living. I do think that we would be accomplishing something worthwhile if we were to spend all our time now in an effort to bring before the federal and provincial authorities, as well as the Canadian people as a whole, the relationship of governmental expenditures to inflation and the present high cost of living. As Mr. Bryce has said, when government reaches out and expands its services its expenditures naturally increase. I think it is part of our duty to see why governments are reaching out, whether it is proper for them to reach out, and whether they are reaching out in the right direction. But, as I said, I am somewhat afraid that if we investigate the individual expenditures of every branch of every department, we are not going to come to the conclusion we decided to come to—of acting for the people of Canada and showing them just what is the relationship of government expenditures to the high cost of living. If we could do that we would be accomplishing something much better than what we might get from this type of inquiry. The individual expenditures could be gone into on another occasion.

The CHAIRMAN: I agree with Senator Turgeon, that we must not get bogged down in too much detail. The explanation appears to me to be fairly simple. If we compare 1939 with the present year, twelve years later, we find that the total of civil servants, of government employees, has increased more than threefold. Now, any detailed examination of the Estimates Book or of this very excellent table which accompanied it, gives clear evidence at once of the tremendous expansion of government services in all directions. Whether or not that expansion has been too rapid, whether or not it is too all-embracing, are questions which I think we might pass an opinion on when we are through our inquiry; but quite definitely these travelling expenses and the expenses for rentals for properties, the expenses for equipment and supplies, are all related to this tremendous expansion of government services in all directions. As a matter of fact, if you examine closely most of the provincial budgets, if not all of them, you will find the same thing taking place. The same is true of the municipal sphere in the larger centres. As Mr. Bryce has pointed out, it is a nice question as to how far you can control individual departments. I think there has been an unnecessary expenditure in many of these services. For instance, the Food and Agriculture Organization met last year in Copenhagen and they are going to meet shortly in Mexico.

Hon. Mr. REID: Nice trips for them.

The CHAIRMAN: Just a moment, Senator Reid. What happens when these meetings take place? We find several representatives from the departments attending these meetings. We also find as many or more official advisers, and if you examine just who the official advisers are you sometimes wonder what contribution they can make to the discussions of the Food and Agriculture Organization. The inevitable tendency in these gatherings is to magnify their importance and to sit around and take a month doing something that should be settled in three or four days. All the time that those meetings are going on we are kept at the expense of maintaining our representatives in probably the best hotels in the place where the gathering occurs. So, in that fashion, I am afraid we have grown into a sort of easy method of spending money for these things which some people think essential and which a good many people think are just a lot of nonsense. You cannot have this expansion of service and have representatives of the Canadian Government travelling to all ends of the earth in substantial numbers without a heavy travelling expense account, and a heavy expense for maintenance when they are there. Whether or not this expansion is due, as Senator McDonald intimated a moment ago, to an increasing demand for an expansion of services, is hard to say, but from a long experience I would say that if a government ever measures its expenditures by the demands that are placed upon it to give service and to spend money here, there and everywhere else, it will never in the world reach a limit to those expenditures. It cannot be

done. Senator Turgeon has brought us back to the real task we have before us. If we find, as I think we shall, when our inquiry is completed, that this country is spending probably a full one-third or more of its natural income on government expenditures of one kind and another, that will be a very useful fact to bring to the knowledge of the Canadian people. Only by getting this knowledge to the people can you set up some sort of resistance to the pressure to spend money. I think that feature of our inquiry is vastly important.

Hon. Mr. HORNER: The travelling in connection with the International Wheat Agreement must have cost a large amount. A huge army of officers, advisors and so on made trips in connection with that.

The CHAIRMAN: I venture to say that over the last fifteen years this country has spent hundreds and hundreds of thousands of dollars at and travelling to international gatherings to promote an international wheat agreement, and the result of it all is a situation that is bound to be embarrassing to everyone in this country, a situation creating discontent and dissatisfaction.

Hon. Mr. BUCHANAN: Referring to a remark by Senator Turgeon about the increased cost of living, may I ask Mr. Bryce if some of the increase in these travelling and living costs is not due to the increased allowances that have had to be made for these things. For instance, within the last few years has the living allowance for people who travel around on government business not been increased? And has there not been an increased allowance for the use of motor cars on government business, because of the increased cost of the cars themselves and of gasoline and other materials?

Mr. BRYCE: At a number of places in the regulations where we set a per diem allowance or a limit on the cost of meals and things of that sort, the allowance has had to be increased in the last few years. The mileage allowance on motor cars has not been increased in the last year or two, I believe, but my memory is that it was increased about three years ago, sir.

Hon. Mr. BUCHANAN: These allowances go up as costs go up?

Mr. BRYCE: Yes sir, but we do not change them every year.

Hon. Mr. BUCHANAN: Have you a fixed allowance for a person staying at a hotel, or anything of that kind?

Mr. BRYCE: No, sir. We have looked into the possibility of that at considerable length, but we came to the conclusion in the Department of Finance that we could not recommend a scheme of that sort, because what was a fair rate in some circumstances was too high in others and too low in still others. It depends, for example, on the size of the town. We had our travel costs analyzed in terms of the size of the centre in which a person was staying, and we found that in the small towns and villages the costs were very much lower than in the big cities. If you were thinking of New York and Washington and said that no one shall spend more than \$2 for dinner, that would be far more than ample in many of the small places in Canada. We have found that you cannot set a rigid limit without encouraging too much expense in some circumstances, and for that reason we leave the setting of a limit to each department, and each department itself exercises some judgment as to what expenses its employees may incur.

The CHAIRMAN: One cannot escape the conclusion that this supervision is of a rather free and easy kind. Speaking from my own experience, I think the deputy minister and the higher officials of each department are the ones who must check these expenses. The ministers are so busy today that they probably cannot exercise any supervision over matters of this kind. I agree with Mr. Bryce that it is very difficult for Treasury Board to make a general rule. For instance Treasury Board could hardly supervise the travelling expenses

of Health and Welfare. Treasury Board can lay down some general principles, admonitions and warnings, which probably in the main are ignored.

Hon. Mr. BUCHANAN: The point I was trying to make is that some of this increase in travelling and removal expenses is related to the general increase in the cost of travelling, staying at hotels, and so on?

Mr. BRYCE: Oh, yes, sir.

The CHAIRMAN: Is the Committee ready to pass on to the next item, No. 6, "Freight, Express and Cartage"?

Hon. Mr. REID: All the items on this table are under the general heading "Departments other than National Defence and Defence Production", yet this item deals with defence to some degree. My second point has to do with delivery of mail to the various departments. Is that not a charge against the Post Office? In ordinary circumstances the cost of delivering mail from the post office to people in the rural districts or to people in cities is a charge against the postal administration. But why should the cost of delivering mail from city post offices to various government departments be charged to these departments?

Mr. BRYCE: I think that is a matter of convenience to the departments themselves, sir. They pick up their mail at the post office so that they may get delivery earlier and perhaps more frequently than otherwise would be possible. I believe it is the practice in Ottawa for most departments to send someone to the post office early in the morning to get the mail, in order that they may have it the first thing in the morning. If the post office delivered it through regular letter carriers, trucks would have to be used to make the deliveries in some cases; and secondly, the delivery might often be delayed by some hours. In the Department of Finance, for example, we hire a delivery service to pick up our mail each morning at the post office and bring it to the department. In that way we get it early. Presumably it could be done by the post office, but that would involve its setting up overhead and equipment to make the deliveries.

The CHAIRMAN: Is there any further discussion on item No. 6? If not, we shall go to item No. 7, "Postage." The increase here has been from \$449,000 in 1938-39 to \$3,023,000 in 1951-52, practically a sevenfold increase. It would be interesting to see how this increase is distributed among the departments. In agriculture the estimate for this year is \$71,510, an increase of less than \$1,000 over last year.

Hon. Mr. HUGESSEN: The Department of Finance has much the largest item for postage, \$1,140,000.

Hon. Mr. REID: And that is a decrease from last year. Why the decrease? Is the department not doing as much business?

The CHAIRMAN: Mr. Bryce, can you give us any explanation of that item for postage in the Department of Finance?

Mr. BRYCE: Most of that, sir, is postage on family allowances cheques. Family allowances cheques are mailed from centres other than Ottawa, and of course when that is done they cannot be franked.

Hon. Mr. REID: Is a lot of this postage item not a matter of bookkeeping? I notice that many communications which come from Ottawa are franked, not stamped.

Mr. BRYCE: If you will look at page 163 of the Estimates, sir, you will see that the two big items for postage in the Department of Finance are, on family allowances cheques, \$900,000, and on registration of income tax refund cheques, \$200,000.

Hon. Mr. REID: How do you arrive at the total cost of postage if part of it, if not all, was franking by the departments of government? Do you take information from the franking machine?

Mr. BRYCE: This is only what they need to spend; this does not include the value to the department of the franking privilege.

Hon. Mr. REID: Again, we are not getting the complete picture of the postal transactions.

Mr. BRYCE: No, sir.

Hon. Mr. REID: Of course millions of circulars are carried for the various departments, and they are simply franked and become a bookkeeping entry.

Mr. BRYCE: Yes. I think I might point out here that a year ago the Minister of Finance in his budget speech indicated that he felt it was desirable, over the long term, to get to a basis where the Post Office shows fully its cost of operation on the one hand, and the value of all the services it renders on the other. During the past year we went into the question of achieving that end, and found that it involves quite a number of changes, not only to charge the departments for their mail sent from Ottawa, as many think should be done. Indeed, I think this committee recommended last year—

The CHAIRMAN: Yes.

Mr. BRYCE: —that the government should examine that question. It is also necessary to charge the Post Office for certain facilities which it receives, for example, the question of rents; it gets a great many properties rent free. One can see that it requires quite a major change.

I think it fair to say that both the Department of Finance and the Post Office Department are inclined to agree in principle with the suggestion that this committee made last year, but it has proven too difficult to implement it. I should perhaps also point out that when we make this change and charge the departments for their postage, and charge the Post Office for rental of space, that will increase the apparent total of government expenditures, although we will not in fact be paying out more money. We will have to provide estimates for the postage to be charged to the departments, and that will in turn be shown in postal revenue.

Hon. Mr. TURGEON: Would it entail enlarging the number of employees to carry out the work?

Mr. BRYCE: I don't think so, not materially.

Hon. Mr. BURCHILL: May I ask a question to clear up a point? What is this question of a charge for postage, if the departments are not charged postage?

Mr. BRYCE: I am sorry, sir. The departments are charged postage on anything mailed outside Ottawa; and they are also charged registration postage, special delivery postage and anything of that kind.

Hon. Mr. BURCHILL: Then this item is all for mail outside Ottawa?

Mr. BRYCE: No; it would also include, for example, \$200,000 for registration of the letters carrying income tax refund cheques, even although they were mailed from Ottawa. We have to pay registration charges, and we also have to pay special delivery charges; we pay airmail charges, if the mail goes by air.

Hon. Mr. McKEEN: And you do not have to put stamps on your cheques.

Mr. BRYCE: No.

Hon. Mr. BURCHILL: In the bulk, this item is for mail sent from outside Ottawa?

Mr. BRYCE: Yes.

Hon. Mr. ISNOR: I think it only fair to say, Mr. Chairman, that the National Health and Welfare, which sends out a large number of cheques, had a decrease of \$10,000 in postage last year.

Mr. BRYCE: But the Department of Finance pays the postage on cheques sent out for Family Allowances; it is the Comptroller of the Treasury who mails those cheques.

Hon. Mr. ISNOR: I am not sure I heard Senator Reid's question correctly. He mentioned about postage. I think that postage is carried, as far as the Family Allowance cheques are concerned; in fact, I remember a certain slogan. They use postal meters.

Hon. Mr. REID: They use stamps, but there is no check; I said that it became a bookkeeping entry, and there is no bill put to the department for postage. There is no check to know the number of letters that go through the mail.

Hon. Mr. ISNOR: No. If I am correct in saying they use postal meters, they would have to go to the post office to have the meters reset. Am I correct?

Mr. BRYCE: I am sorry, but the situation is a little more complicated than that. The big mailing lists are sent through postal meters; for example, Family Allowances cheques are metered—they do not lick stamps and put them on. This is the efficient and modern way of doing postage. Many of the departments in Ottawa use postal meters even when they are putting a frank on the letter. They do that for the convenience of the Post Office, because when it has been properly metered it does not then need to go through the cancelling machine in the Post Office; in that way there is a saving of labour at the Post Office sufficient to much more than pay the cost of metering in the department. That is the reason why, in some cases, they have to pay for the metering as postage; in other cases it is done as a matter of convenience, although the mail is franked.

The CHAIRMAN: The item of \$900,000 for Family Allowances, does that include stamps that are put upon cheques?

Mr. BRYCE: No, sir. As one of the senators has said, we do not put stamps on cheques. The obligation to cash government cheques is imposed on the banks under the Bank Act.

The CHAIRMAN: And they are not violating any law?

Mr. BRYCE: No.

Hon. Mr. HUGESSEN: That item rather reinforces what was said a few moments ago about government services increasing over the past ten years. The increase in postage of \$2½ million includes practically a million for Family Allowance cheques, a service which was not in existence in 1939.

Mr. BRYCE: Yes.

The CHAIRMAN: Shall we take the next item, No. 8, Telephones, Telegrams, and other Communication Services? Twelve years ago it was \$689,000, practically all for civilian purposes, and now it is about seven times that amount.

Mr. BRYCE: Yes, sir.

Mr. CHAIRMAN: I suppose that also can be attributed to the vast expansion of services?

Mr. BRYCE: I would point out, sir, that almost half of that amount is expended by the Department of Transport, and arises fairly largely from their meteorological services, airports and air traffic control services. Those are things of a nature which require very heavy expenditures for such items as teletypes, land lines and things of that sort. One has really to look at it apart from that, to see what the development of the normal, let us say administrative, costs of things of that sort are. The other big item in this category is the Department of Finance—

Hon. Mr. HUGESSEN: Before you leave the Department of Transport, I suppose it is fair to say that of this \$2 million odd for which the Department of Transport is responsible under Item 8, practically all of it has arisen in the last ten years. That includes airfields, and like items.

Mr. BRYCE: There were undoubtedly some before the war, but there has been a tremendous growth in the meteorological services, in the airways, the airports and air traffic control.

Hon. Mr. HUGESSEN: This item represents a good deal of the services of the Air Force, in building planes and communications?

Mr. BRYCE: Yes.

Hon. Mr. HUGESSEN: Which is constantly expanding?

Mr. BRYCE: Yes. You see, air transportation is different from many of the other forms of transportation, because the Dominion Government provides a good many of the capital facilities, and indeed of the operating costs of that industry; so that this is to a considerable extent the operating costs of a basic industry. It is not simply what one would normally call a government function.

The CHAIRMAN: Any further questions on No. 8? The next one "Printing of Departmental Reports and Other Publications" is rather interesting.

Hon. Mr. ASELTIME: I have a waste-basket-full of them every day.

The CHAIRMAN: The total is over \$3,900,000.

Hon. Mr. REID: And nothing in 1938!

The CHAIRMAN: It has remained about stationary, however, for about three years.

Mr. BRYCE: In answer to Senator Reid's point on that, sir: we have not been able to segregate the figures for 1938. They were buried in a great many items, and although we were most anxious to try and pull them out, we could not. They are down in category 22, "All other Expenditure".

Hon. Mr. REID: You are a member of the Treasury Board, are you, Mr. Bryce?

Mr. BRYCE: I am Secretary, sir.

Hon. Mr. REID: I am wondering if at any time the question has come up in the Treasury Board of the printing of departmental publications.

Mr. BRYCE: Oh, the Treasury Board had great travail with publications. There are a tremendous number of problems, and I know that it has concerned many of the Ministers, on what standards you can judge not only the number and extent of publications that should be issued, but the format and the kind of presentation; whether we should permit pictures to be included, whether we should permit them to be done in colour, and all that sort of thing. The Treasury Board have asked me to arrange to have a much more detailed examination made of the whole field of publications this year.

Hon. Mr. REID: What I have in mind is that, for instance, you pick up an agricultural bulletin and find that it deals with fisheries and something else as well; you pick up an External Affairs publication and you find it deals also with trade matters of which you have read in another bulletin. That practice seems to be growing and growing and growing. Like other senators, my basket is full every morning of things that are thrown away. In many cases I think there is a tremendous waste of material and money.

Hon. Mr. HORNER: A million dollars could be saved there.

Hon. Mr. BUCHANAN: I publish a newspaper, and all kinds of stuff comes there from Ottawa. Sometimes I have occasion to open it, but in almost every instance it goes into the waste-paper basket. I often think the supply should be curtailed. There may be people who want particular circulars and pamphlets: well, let them have them, but to distribute them widely and generally looks to me to be a waste of paper and a waste of labour.

Mr. BRYCE: I think these figures themselves will indicate that the Government rather shares the view that has been expressed by the senators here, because you will note that the amounts provided for this purpose have been

held pretty well stationary over the last three years despite a quite considerable increase in cost. There is, I would say, in this year's budget provision for at least 10 per cent less in volume of publications than there was a year or two ago.

The difficulty with this, as with so many things, is that it is necessary to translate a general attitude of policy into a particular restriction of individual publications, it is that which the Treasury Board is endeavouring to do this year. They have asked that a detailed study be made of the publications issued by all departments, so that when they come to consider next year's estimates they can look much more critically and in detail at the bulletins issued by all the various departments, and the annual and various other reports issued on one subject and another. But each department has many, many arguments in favour of their various publications, and there are a great many people who set great store by them, and it is naturally those people with whom the department is normally in touch, and they represent public opinion to the people who are dealing with that publication.

Hon. Mr. BUCHANAN: I think that Mines and Surveys sends out a postcard with regard to geological studies in certain areas, asking if you want any one of these particular publications, and if you do not, that is the end of it. But the thought in my mind is that they must publish a lot of these reports and have them down here in reserve, though they may not be applied for. It is only the occasional one that my office ever asks for, but when we do ask for any we receive them almost immediately. So I have the feeling that a lot of these reports are published, probably in thousands, or more so, and they are not in demand, and there must be a waste in holding them that way. If they could compile a mailing list of people who are interested in some particular matter before the publication was printed, they would not require as many copies.

Mr. BRYCE: Well, we are hoping that something like that can be done. One of the things that the officers studying this matter have been asked to look into is the possibility of more scrutiny of distribution lists before printing is done.

Hon. Mr. REID: It seems to me that all departments have come to the point where they are vying with each other to see who can get out the biggest publications, and overlapping each other. That is probably in the natural course of events, but it has developed today, as every member of the Senate will agree when he looks over the publications.

Hon. Mr. ASELTINE: That might be a point to consider in your report, Mr. Chairman.

The CHAIRMAN: I think it is true—I know it is in my own case, and Senator Buchanan has just mentioned his experience—that a great bulk of the stuff that comes in of Government publications goes direct to the waste-paper basket. I think that some of the departments have an excessive zeal for getting stuff published and distributed. I am delighted that Mr. Bryce and his associates in the Treasury Board are going to look into this matter of Government publications, because that is a matter upon which we commented last year. I would suggest to Mr. Bryce that he might examine into the practice in Great Britain. If they issue a White Paper dealing with any particular phase, like some of those we get here, they make a charge for it. You know that in many instances what you get for nothing has very little value. It would take some time to get the practice established of making a suitable charge for some publication that a manufacture or someone else might want to get regularly, for instance. But why should he not pay for it? In time the thing would sort itself out. But at the moment there is no check at all, no practical check on the expenses of publications and the consequent disposition of them in the waste-paper basket.

Hon. Mr. BUCHANAN: On that point, take these geological reports of different areas published by Mines and Surveys: why should not an oil company or a

mining company, if they want a report of that kind, pay for it, as the Chairman suggests? Or do they pay for it? When they ask for a copy do they get it without any cost?

Mr. BRYCE: I think some kinds of reports are paid for. But there are free lists established by departments for various types of publications, and one of the things each department has been asked to do is to reduce its free list and to charge more frequently for publications and to charge prices that are more in line with the cost of printing them.

Hon. Mr. REID: May I ask Mr. Bryce this question: Has anyone gathered together all the publications that are issued, and presented them to anybody? If not, I personally would like to see all the publications the Government has issued. It would be an eye-opener, an education and a revelation. I think there should be a visible exhibition.

Mr. BRYCE: If the honourable senator wished to have a display of that kind I am sure the King's Printer, if given time and space, could arrange it.

The CHAIRMAN: There would have to be a great deal of space for it.

Hon. Mr. BUCHANAN: I would suggest that you have that exhibit and then have the Film Board come in and take a picture of it.

Some Hon. SENATORS: Oh, oh.

The CHAIRMAN: Do you wish to go on with the next item?

Hon. Mr. ASELTINE: No, it is quite involved.

The CHAIRMAN: It is about films, displays, broadcasting, advertising, etc., a subject in which I believe Senator Reid has a special interest.

The committee adjourned until Tuesday, May 22, at 11 a.m.

1951

(THE SENATE OF CANADA)

Government
Publications



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 3

TUESDAY, MAY 22, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

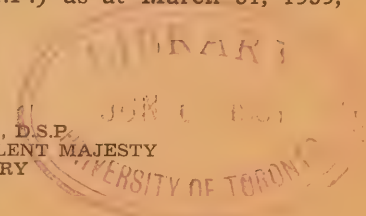
WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

APPENDIX "B"

Reported Numbers of Employees of the Government of Canada (Excluding
Members of the Armed Forces and R.C.M.P.) as at March 31, 1939,
1948, 1949, 1950 and 1951.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951



THE STANDING COMMITTEE ON FINANCE

The Honourable THOMAS A. CRERAR, P.C., Chairman.

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Moraud
Beaubien	Hayden	Paterson
Bouffard	Horner	Petten
Buchanan	Howard	Pirie
Burchill	Howden	Reid
Campbell	Hugessen	Robertson
Crerar	Hurtubise	Roebuck
Davies	Hushion	Ross
DuTremblay	Isnor	Taylor
Euler	King	Turgeon
Fafard	Lacasse	Vaillancourt
Farquhar	Lambert	Veniot
Farris	McDonald	Vien
Fogo	McIntyre	Wilson

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31st, 1952, in advance of the Bills based on the said Estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, May 22, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Crerar, Chairman; Beaubien, Bouffard, Buchanan, Euler, Golding, Gouin, Haig, Hayden, Horner, Hugessen, Hurtubise, Isnor, McIntyre, Petten, Reid, Taylor, Turgeon and Veniot—19.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

Mr. R. B. Bryce, Assistant Deputy Minister, Treasury Board Division, Department of Finance, was again heard.

The Honourable Senator Haig moved that item 10 of the Summary of Standard Objects, dealing with films, broadcasting, etc., be dealt with at a later date when departmental representatives could be present.

The motion was carried unanimously.

Mr. Bryce filed a document showing the reported numbers of employees of the Government of Canada as at March 31, 1939, 1948, 1949, 1950 and 1951.

Ordered,—that the said document be printed as an Appendix to Proceedings No. 3.

At 1.00 p.m. the Committee adjourned until tomorrow, Wednesday, May 23, 1951, at 11.15 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Tuesday, May 22, 1951.

The Committee on Finance, which was authorized to examine the Estimates for the fiscal year ending March 31, 1952, met this day at 11 a.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Gentlemen, will you please come to order? We will ask Mr. Bryce to come forward.

Hon. Mr. REID: Mr. Chairman, before Mr. Bryce is called, may I make a suggestion to the committee through you?

It occurred to me that at some time during this inquiry it might be advisable to bring Professor Jackson here from Toronto. He has been around here, and the information he has regarding the expenditures of government and their relation to the cost of living, as well as the relationship of labour and its output to the cost of labour, was given by him one day last week before a study group. From what I have heard of the information he gave at that time, my opinion is that it would be of great value to us to have him appear before this committee. It would be in line with the proposed work of the committee.

The CHAIRMAN: In that connection, may I say that I have been discussing these matters with the Steering Committee. It had been suggested at an earlier meeting that we might try to get Dr. Slichter of Harvard University, and also Dr. Norris of Washington who, until a few months ago, was Chairman of the Economic Advisory Committee to the President of the United States. That was his title, according to my recollection.

Unfortunately, these gentlemen have engagements which preclude them appearing before this committee for many weeks. I would suggest that perhaps we should leave in abeyance for the moment Senator Reid's suggestion, to be taken up tomorrow morning. Would that be satisfactory, Senator Reid?

Hon. Mr. REID: Satisfactory.

The CHAIRMAN: If the committee is ready, we shall proceed. At the last meeting we were considering Item 9, Printing of Departmental Reports and other Publications. Now it will be noted that there is no figure under this heading in the 1938-39 Estimates. These expenditures were buried in other places, I think; we have, however, the last three years, which are fairly uniform; \$3,950,000, for 1949-50; \$4,018,000, for 1950-51; and \$3,905,000 for 1951-52. We will keep in mind that this is civilian expenditures, and eliminate Defence and Defence Production. There is a decrease shown there of something over \$100,000. Are there any questions on that?

Hon. Mr. HAIG: Yes, I have a question to ask. I may be different from other people, but these reports keep coming to my desk, and to be quite honest, I never read them and I do not know anybody else who reads them. I wonder why they come out. It seems to me that if a typewritten report were filed in the office of a department, it would be available there, and anyone who wanted a copy could pay for it. As it is, pages upon pages of reports reach my desk every day, and they end up in the wastepaper basket. They stay on my desk until my secretary cleans it out, and she asks "Mr. Haig, where am I going to

put these books". I say "In the ditch". That is what happens to them. I recently received a memorandum about a Geographical Survey which was made at some place or other, and I was asked if I wanted a copy of the survey. Well, it is no good to anybody. I try to send some of these things to my friends in Winnipeg, but I am losing my friends. I venture to say it is because I suggest they read through reports such as these.

Sometimes it is said that such literature has political value, but certainly such reports as I receive have no political value. I admit that there may be some one in a library in Washington who would like to get a copy of the report of the Department of Agriculture for Canada, or who would wish to see the report on Mines for this country. As it is, this government publicity is running into a tremendous amount of money, and I would like to know the reason for it. If Mr. Bryce has an explanation, I should like to hear it.

Mr. BRYCE: We discussed this briefly at the preceding meeting, and at that time I indicated that the Treasury Board and the ministers directly concerned keep asking exactly the same question as that asked by the senator: Just what is the necessity for these various reports? We try to examine them each year on the Estimates, the budgets for printing of reports and other publications, to see if they can be defended. I think one of the reasons that honourable senators and others here no doubt see a great deal of them, is that the usual practice is for all departments to furnish nearly all their publications to members of the house and the Senate, on the ground that the departments have a very special responsibility to parliament and that members and senators should be able to peruse any of the reports that appear to concern matters within their general responsibility. Consequently I believe that members and senators see far more than any individual man could be expected to read. We try in our office to look at a good many of them.

Hon. Mr. HAIG: But you pay a man for looking after them.

Mr. BRYCE: That is right.

Hon. Mr. HAIG: I am not paid to look after them.

Mr. BRYCE: But not any one looks at all of them.

Hon. Mr. REID: As a matter of fact, a good many of these seem to be merely attempts of officials to publicize their departments. I recall not long ago getting a memo asking for my opinion on a publication from the Department of External Affairs, and whether I wanted it, and I said no, it was just a waste of printing; and I could tell that the officials were very much annoyed because I gave this adverse opinion and told them not to continue sending this publication to me because it was a waste of public funds. As I have said, pick up a publication from Trade and Commerce and you will find items in it from, say, agriculture, or an agricultural publication will contain something which has been printed under Fisheries; and so forth all through. What I receive from External Affairs usually consists of excerpts from debates in the House of Commons, perhaps what the Prime Minister or someone else has said, which has already been reported in almost every paper in the country. It seems to me that certain officials think they are in duty bound to see themselves in print; and when we realize that we are putting up a building costing \$13,000,000 for the Printing Bureau, it shows to what extent our printing has increased.

Hon. Mr. BEAUBIEN: What function does the Joint Committee on Printing perform in regard to the item we are discussing now?

Mr. BRYCE: I speak subject to correction on this, but I understand it is concerned only with parliamentary printing.

Hon. Mr. TURGEON: I want to throw out just one word of warning. I agree with a great deal of what has been said. Perhaps there is an overflow of documents and therefore an exaggerated cost of printing and of so-called

publicity. At the same time our parliamentary system requires reports to parliament, and although I am just as anxious as anyone to save dollars, we have to make up our minds whether we are going to order officials not to report to parliament. If we do so, after having lived during the last fifteen years under a system whereby these reports are made to parliament, we may hear complaints that the principle of democracy has been defied, because parliament will be looked upon with scorn. That is something which has to be watched. It may be that much more material is being printed than is required. I cannot express an opinion on that; but I do want to warn against any departure from the principle that government departments must be in a position to report fully and completely to both chambers of parliament.

Hon. Mr. HAIG: That has not anything to do with printing. Reports to parliament are laid on the table. We had an instance last night.

Hon. Mr. TURGEON: While we must be careful about costs, we must also watch for attacks on the principle.

Hon. Mr. HAIG: The government is required by parliament to lay certain reports on the table, and they do so, but they are not required to print all these things.

Hon. Mr. REID: It would be a good thing if all these reports could be brought together on one table, if we had a table big enough to hold them all.

Hon. Mr. HAIG: Take, for example, the Department of External Affairs. They make a report and it is tabled. Then the minister gets up and moves that five hundred copies in English and two hundred and fifty in French be printed. That is where the cost comes in. And nobody ever reads them. Is there anybody in this committee who will stand up and say that he has read all the reports handed out by the government this session? I don't believe anybody here has read them, nor even one-tenth of them.

Hon. Mr. TURGEON: What was the beginning of the practice of moving that so many copies be printed in English and so many copies be printed in French? I recall from my short experience in the House of Commons that resentment was shown because enough copies of some report were not printed, or because there was a shortage of copies in one language as compared with the other.

Hon. Mr. HAIG: That may be.

Hon. Mr. TURGEON: Those are things we have to keep in mind.

Hon. Mr. REID: These estimates do not reveal the full extent of expenditures by the Printing Bureau. Here is an estimate of \$230,000, yet we have before us an item of \$4,859,000. Reading the estimates in this way, one gets but a poor idea of the expenditures of the Printing Bureau.

Mr. BRYCE: I should say that the great bulk of the printing costs is in the votes for the individual departments and their various branches, for the reason that it is those departments, or the ministers for them, who must defend the necessity for getting that printing done. The Printing Bureau defrays the expenditure in the first instance out of its working capital account. The legislation establishing the Printing Bureau authorizes them to operate a working capital account, from which the printers are paid, and the department is then billed and the amount paid by the department is paid back into that account. That is just an accounting device. But the great bulk of the costs of printing is borne in the various departmental votes. I quite agree that the costs under the head of "Printing Bureau" proper are quite minor by comparison with the others.

The CHAIRMAN: If we look, for instance, at Number 9 on this sheet that accompanies the estimates, we find an analysis in fair degree of this item we are considering. I notice, for instance, that under the heading "Printing of

Departmental Reports and other Publications", Agriculture has \$485,000, an increase of about \$30,000 over last year. Citizenship and Immigration are down a bit, at \$140,000. But another large item is in the Labour Department; they have \$141,000 for printing. Then Legislation, which I presume has to do with the printing of *Hansard* and so forth of the House of Commons and the Senate, accounts for \$416,000; Mines and Technical Surveys runs to \$192,000; Health and Welfare, to \$314,000; Public Printing and Stationery, to \$387,000. That last will be, I assume, for the purchase of materials, largely.

Mr. BRYCE: Oh, and certain publications for which they are responsible; the *Canada Gazette*, and the statutes, and things like that.

The CHAIRMAN: And then Resources and Development, \$355,000; the Secretary of State, \$372,000. What is the explanation of that last figure?

Mr. BRYCE: The big bulk of that, I think, would be the printing of patents,—something on which we make money.

Hon. Mr. REID: What is the revenue side of that figure in the Department of the Secretary of State?

Mr. BRYCE: I think I can give you the answer, in a moment, for the last year. Last year the estimate was \$270,000. Now I believe we transferred a slight additional amount from other things into that. The revenue, the bulk of which—I would not say all of it, but a good deal of it—is from printing of patents, is estimated at \$527,000 last year.

Hon. Mr. HAYDEN: They were operating at a profit?

Hon. Mr. HAIG: But the cost of the staff must be taken into that. Add the item for labour, and see how much you have got left.

Hon. Mr. HAYDEN: I was going to ask if you had the figures on the different departments. Is there any revenue from all this public printing?

Mr. BRYCE: There is. I am sorry, but I do not have it brought together. Broadly speaking I think it would be fair to say that the patent printing here is much the most profitable of the printing operations.

The CHAIRMAN: Oh, easily.

Mr. BRYCE: I think the *Canada Gazette* very largely pays for itself.

Hon. Mr. HUGESSEN: The \$387,000 item includes the *Canada Gazette*?

Mr. BRYCE: Yes.

Hon. Mr. HUGESSEN: Do you get any revenue from the advertising in the *Canada Gazette*, or is there a deficit?

Mr. BRYCE: I am speaking from memory, but broadly speaking I believe it balances.

Hon. Mr. HUGESSEN: So this figure of expenditure is covered by receipts of practically the same; is that true?

Mr. BRYCE: Yes, sir, in those cases.

Hon. Mr. HAYDEN: Are there any other departments wherein the revenue and expenditure may be fairly close?

Hon. Mr. HAIG: Take the *Labour Gazette*.

Mr. BRYCE: I know that in the case of the *Labour Gazette* the revenue derived is considerably less than the cost of printing.

Hon. Mr. HAIG: I should say so.

Mr. BRYCE: The same is true in some of the larger departments. For instance, in the Department of Agriculture their revenue would be a good deal less than what they spend on printing.

The CHAIRMAN: Would they have any revenue at all?

Mr. BRYCE: They do charge a modest amount for some publications.

Hon. Mr. HAIG: What about the Department of National Health and Welfare, how much do they get? I think they spend \$400,000 on printing.

Mr. BRYCE: I would have to bring together the revenue figures, senator. Certainly they would be only a relatively small fraction of their printing bill.

Hon. Mr. HAIG: They might sell an article to some newspaper.

Mr. BRYCE: They do charge for some of their publications. I have taken this matter up with the various departments, and the Treasury Board has discussed it with the Ministers. The problem here is that a great deal of the work done by the Department of National Health and Welfare is intended to make available for the public the results of investigations, research and inquiries. In other words, it is to provide in effect a sort of educational service. These departments feel that unless you are prepared to put this material out in printed form you lose the fruits of a great deal of the work of the departments. It is short-sighted to charge too much for these publications relating to children, dental hygiene, diet or similar subjects. If one charges too much for them it simply sets an obstacle to the dissemination of the results of the work of the department. This problem arises from the nature of the Department of National Health and Welfare. In some degree the same is true of Agriculture, and to a lesser degree of Fisheries. Much of the work is intended to be of an educational character, and the departments get this across through their publications. I know that the Treasury Board has found it a very difficult question of judgment to say "Now, in these circumstances what is the right policy in regard to the charging for such publications?" You have to balance the one consideration against the other.

Hon. Mr. EULER: Some of this literature which is issued is never read. What about that?

Hon. Mr. HAIG: That is what I should like to know. I can't find anybody who ever reads it.

Mr. BRYCE: We endeavour to make various tests as to how active and firm the circulation lists are. One of the reasons for making a charge for a publication is that it is a good test.

Hon. Mr. REID: This may be a good question for the Bureau of Statistics. They are sending men and women around to Canadian homes gathering information for the census, and they could ask the question: "Do you ever read government publications?" That would be a very useful service because some of the questions they are asking now are absolutely silly.

Hon. Mr. HAYDEN: Do you suggest a Gallup Poll?

Hon. Mr. GOLDING: Is it not true that many insurance companies distribute health publications free of charge?

Mr. BRYCE: Some of them do, senator.

Hon. Mr. EULER: Yes, I know that the Metropolitan Life Insurance Company does.

Mr. BRYCE: We have specifically inquired as to the relationship between the publications of the Department of National Health and Welfare and those of the Metropolitan Life Insurance Company.

Hon. Mr. HAIG: I think you should try to do what the life insurance companies do. They advertise on the radio, saying "If anybody is interested in our article on such and such write in and we shall send you a free copy". You just do that with respect to your publications and you will be surprised to find that it will not increase the postal service very much.

Hon. Mr. HAYDEN: Take the figures for printing in the Agriculture estimates. The Department of Agriculture operates experimental farms all over Canada

and I would assume that some of the printing costs of this department have reference to the findings and developments of these experimental farms.

Mr. BRYCE: That is right, the Experimental Farms and Science Services.

Hon. Mr. HAYDEN: Would that be a substantial part of the figure?

Mr. BRYCE: I would say just refer to the items for the Experimental Farm. The Central Experimental Farm has a budget for printing of \$75,000. The printing for the branch farms is \$94,000. So you can see there is quite a bit in that. Then, under the Science Service, one would also find amounts for printing the results of some of their investigations. Animal and Poultry Pathology has a relatively small amount of \$3,000. The Administration of the Science Service has a relatively small amount, and so has the Bacteriology and Dairy Research; and Botany and Plant Pathology, about \$20,000. You can see that it is scattered around.

Hon. Mr. HAYDEN: Yes.

Mr. BRYCE: Then the Agricultural Entomology group would have some printing costs. It is all scattered around.

Hon. Mr. EULER: Do not some of these services send out cards asking people whether they would be interested in receiving a certain publication? If they do not write in, the publication is not sent to them. That cuts down on the waste of the general distribution of these publications. I know that I get many that I just throw into the waste basket while I do write away for others.

Hon. Mr. HORNER: Well, whether you ask for one or not they are all printed anyway and are available.

Hon. Mr. EULER: Well, past experience would show how much is needed. I do not think they would print too many.

Hon. Mr. ISNOR: I think it is rather difficult for us to say as to whether a publication is good or bad. It is really impossible for us to sit around this table and measure in dollar and cents the benefits from any particular publication. It might be as one of the senators stated that no one reads these publications, but I am inclined to differ.

Hon. Mr. HAIG: Do you read any of them?

Hon. Mr. ISNOR: I read practically every one that comes to my desk.

Hon. Mr. HAIG: Good gosh!

Hon. Mr. ISNOR: I might not be as busy as my honourable friend from Winnipeg (Hon. Mr. Haig) but I not only read these publications, I send them out. I have in mind my efforts to circulate the publications of the Department of National Health and Welfare. I also have in mind the *Labour Gazette*. I keep rotating these publications. We have twenty-six labour unions in Halifax and I venture to say that each year every one of these unions receives one or more copies of the *Labour Gazette*.

Hon. Mr. EULER: Do they not get them directly?

Hon. Mr. ISNOR: Some of them subscribe. I wrote the Department of Trade and Commerce three years ago asking them to be good enough to send me twenty-five copies of the *Foreign Trade*. I have sent these twenty-five copies to bankers and others who I feel would be interested in the foreign trade of our country. This has resulted in a number of subscriptions being made and I received some nice letters thanking me for my interest in this field. I feel that that is good advertising. Somebody mentioned the life insurance companies. They advertise by radio and that is a very expensive medium of advertising. They finish off by saying "If you are interested in this pamphlet send in or telephone requesting a copy and we will be pleased to send you one". I think that is good advertising. And if advertising is good for a private concern, is it not good for this country? Should we not make known what we have done in so far as labour is concerned,

and foreign trade, and health and welfare, for example? So I say, Mr. Chairman, there is a question in my mind whether we can sit around this table and determine that this and that publication is no good. It seems to me that departmental officers are in a position to advise the Treasury Board as to what is beneficial to their respective departments.

The CHAIRMAN: May I make a comment? I hope that Mr. Bryce, acting for the Treasury Board, and those who may be associated with him will make a pretty thorough inquiry into these costs. Personally, I cannot commence to read the volume of material that comes to me from government departments. If I did I would read nothing else, and I would become so confused in my thinking that I would be going around in circles. Of course, this is an age of publicity. Everybody is advertising, and every government department naturally wants to tell the public what wonderful things it is doing. There comes a point, though, at which the publicity ceases to be effective.

In our report a year ago we suggested a reform which I hope the Committee will approve in this year's report, namely, that government departments pay postage on all the material they send out from Ottawa. I am satisfied that if that reform were adopted the bill for printing and publications would be cut in half. A departmental official produces what he thinks is a wonderful idea and he wants the world to know about it, and it is easy to have it printed and to have hundreds or thousands of copies stuck in envelopes and distributed through the mails, if they can be franked—in other words, if they can be carried free to the department, but at the expense of the taxpayer. I think that the suggested reform would strike at the root of this difficulty.

I am bound to say that there are a lot of these publications which in my judgment—of course, that may be wrong—are not read by the public. For instance, the Department of Agriculture publishes quarterly a volume called the *Economic Annalist*. That volume, which is probably half an inch thick, is just a mass of figures. Now, who among the people who get that will analyse it and derive anything really worth while from it? It may be useful to economists who are making a study of such things, but how many other people read it carefully? I venture to say that even Senator Isnor does not read the *Economic Annalist* from page to page, because if he did he would be wasting his time. These things just grow up. I have seen the development in my own experience in government, and I am sure that Senator Euler has too. It is natural for the head of a branch in a department of government to imagine that the work his branch is doing is of great importance to the public, and he wants to tell the public about it, whereas in fact the public often are very little interested in it and do not bother reading the publications distributed, for which the taxpayer foots the bill.

I do not know that we can get much further on this. We have had a very interesting discussion on it, and when we prosecute this inquiry next year we shall expect Mr. Bryce to be able to report some progress to us.

Hon. Mr. ISNOR: Mr. Chairman, you mentioned my name in connection with the *Economic Annalist*. That particular report may not be of special interest to me, but I do run my finger down the index until I come to something in which I am interested. For instance, I might want to know how the wool situation of this year compares with that of last year. Well, I just run my finger down till I come to "wool," and in a little while I am able to find out why there is, say, a shortage of wool this year as compared with last year; and I get a background as to the population of sheep over the years since 1935. That gives me a fairly good picture as to the reason for the current price of wool. Each and every one of these publications is of some particular benefit to a class of people. By no means all of them contain information which you or I want, but they always have something of interest to some people, and that is why I question whether we can just sit around a table here and say that these publications are of no use.

The CHAIRMAN: I should have added one other point. The newspapers of Canada have a very sound appreciation of what interests the public in the way of news. Almost every day we get in the press summaries of the vital information contained in many of these publications, information which the newspapers could get just as well if the departments concerned issued typewritten copies instead of books costing considerable sums. The information published by the press in this way is giving a very wide distribution.

Hon. Mr. BEAUBIEN: The newspapers do not say much about the Senate.

Hon. Mr. HAIG: The Senate was on the radio news this morning.

The CHAIRMAN: It is entirely unnecessary to say anything about the Senate.

Hon. Mr. REID: There is one further question I wish to ask Mr. Bryce. Every year tons of surplus publications must be left over. What becomes of these? They must have some reclamation value, and it would be interesting to know just what this amounts to.

Mr. BRYCE: The surplus publications are reclaimed as waste paper and it is just a question of how long any publication should be kept before being destroyed. Only a few weeks ago I wrote a letter to the departments at the suggestion of Mr. Murphy, our Office Economy Controller, suggesting that in view of the paper shortage they might review all their stocks of obsolescent publications and get them more quickly into waste paper so that they could be reclaimed and used again.

Hon. Mr. EULER: The revenue from that would not be very great?

Hon. Mr. BUCHANAN: Can you tell us what proportion of these publications is printed at the Printing Bureau and what is done by private business concerns?

Mr. BRYCE: I could not tell you that with any direct or specific knowledge. My recollection of the return made in the House of Commons the other day was to the effect that about \$4 million worth of printing was done within the Bureau, out of some \$5½ million. On the other hand, there was also an indication of a larger amount than a million or two done outside. As I say, the return was tabled in the house the other day, and it would be a better guide than my estimate on it.

Hon. Mr. EULER: Mr. Chairman, to sum the whole matter up, it is perfectly obvious that this committee is not able to put its finger on any wrongful or exorbitant expenditure. It seems to me that about the only thing we can do is ask Mr. Bryce and the departments to exercise a little more care both as to quantity and expense in the printing of publications. We all have our suspicions that a good deal could be done in that way, but that we can definitely put our finger on specific items, I do not think is possible.

Hon. Mr. HAIG: Mr. Chairman, as I started this discussion, I will exercise my prerogative by trying to close it.

Hon. Mr. HAYDEN: Close the debate.

Hon. Mr. HAIG: Nobody has suggested that we can tell what should or should not be printed, but we do feel that the sum of nearly \$4 million is a very large amount. I was pleased to hear the senator from Halifax say that he read all these publications. I presume that he also reads the orders that come out—

Hon. Mr. ISNOR: No, I missed those.

Hon. Mr. HAIG: Oh, you missed those. The only place they are any good in Canada is in the law offices. My staff keep track of them.

Hon. Mr. HAYDON: And the bankers.

Hon. Mr. HAIG: They are only good for the lawyers. Yet, I know that thousands of copies are printed and they are distributed all over the country. As I say, they are only of use to the lawyer, and he must have a practice which brings him into conflict with these regulations.

Hon. Mr. EULER: Do the lawyers pay for them?

Hon. Mr. HAIG: No. They send them to us because we want to know what is going on in this country.

Hon. Mr. BEAUBIEN: It seems to me the lawyers get everything free.

Hon. Mr. HAIG: Certainly; we work for nothing to start with.

The CHAIRMAN: Order!

Hon. Mr. HAIG: About fifteen years ago a practice was started in the province of Manitoba whereby the Department of Agriculture had pamphlets printed on a number of subjects, and anybody who wanted copies of them could write to the department requesting them. For instance, if a farmer was interested in the subject of wool, he would write to the department, ask if they had any pamphlets dealing with that commodity, and he would receive what literature they had. I was a member of the legislature in that province prior to that date, and I know with the change in policy there was a tremendous cut in the cost of printing. The same practice applies to sending out circulars for the eradication of weeds. The circulars which tell about the use of 2-4 D for the eradication of mustard are not sent out to everybody, but to those who ask for them.

Again, the Department of Trade and Commerce could print a number of papers, place them on a table, and ask the experts—my friend knows more about the bankers than I do—and the businessmen what they thought would be most useful.

The observation by the Chairman is quite true, that every department has as much publicity as it can get. If I were a deputy minister of a department I know I would be fighting to get everything I could printed and sent across the country. That is just human nature, but it is up to us who represent the taxpayers to bring about some control of these expenditures.

Hon. Mr. GOLDING: In view of the discussion here this morning, Mr. Chairman, do you now think we are justified in having the proceedings of these meetings printed? Do you think we are setting a good example?

The CHAIRMAN: Are you addressing that question to me, Senator Golding?

Hon. Mr. GOLDING: Yes.

The CHAIRMAN: I think you will have to ask the other members of the committee.

Hon. Mr. EULER: It will take a long time.

Hon. Mr. HAIG: You have said quite a bit.

The CHAIRMAN: If we adopted the practice of having departments pay postage on their circulars, and charge a price for each publication, it might effect a control. Take as an illustration the *Economic Annalist*: If a price of say fifty cents a copy was charged for it, and a postage was paid on it, those two reforms would, I believe, cut the printing costs of departmental reports by probably 75 per cent.

Hon. Mr. BEAUBIEN: But if the departments had to pay postage, they would simply include an item for that cost in the Estimates. What is the difference between that and franking?

The CHAIRMAN: You would get a true reflection of the postal charges.

Hon. Mr. BEAUBIEN: But you would not make it any cheaper.

The CHAIRMAN: In the matter of dollars and cents, probably not, except that if each department had to estimate its postage, instead of franking, less material would go out.

Hon. Mr. REID: I venture to say that if the senators and members of Parliament received a limited amount of postage, there would be fewer copies of *Hansard* and other mail go out from this building.

Hon. Mr. EULER: Do you mean we should abolish the franking?

Hon. Mr. REID: Yes, abolish franking. I believe that if the members of parliament were allowed a certain sum to buy their stamps, it would cut down on the tons of mail that go out of this building.

The CHAIRMAN: Gentlemen, I think we have discussed this item quite exhaustively. Shall we pass on to the next?

Item 10, Films, Displays, Broadcasting, Advertising, Etc., shows in 1938-39 a total expenditure of almost \$1,800,000; a year ago, 1950-51, it was \$5,083,000; and this year, 1951-52, it has been cut back to \$4,850,000. Have you any statement, Mr. Bryce?

Hon. Mr. HAIG: With Mr. Reid's approval and others, I suggest that we leave this item for one session, and that we invite representatives from the film and broadcasting fields to come here and give us their story.

Hon. Mr. REID: It would be unfair to ask Mr. Bryce about that department.

The CHAIRMAN: Senator Haig has suggested that we let Item No. 10 stand to a further meeting, and that we ask the Film Commissioner—

Hon. Mr. HAIG: I do not care who they send.

The CHAIRMAN: —that we ask those two organizations to send representatives to supplement the information Mr. Bryce can give us. All in favour of that procedure? Contrary? Carried. The item stands.

We go now on item 11, "Office Stationery, Supplies, Equipment and Furnishings". I am sorry to see members of the committee leaving. As regards this item, twelve years ago the expenditures were \$2,400,000-odd; this year the amount is \$11,235,000, and a reduction of about \$265,000 from last year. Perhaps Mr. Bryce could give us in a few words the contents of this expenditure, and then we can have some questions.

Mr. BRYCE: Well, sir, these are just the sort of ordinary office operating costs. Stationery in some cases is a large item; rental of equipment, in certain cases; the purchase of furniture; you will notice there is quite a bit under Public Works for this item, which is largely office furnishings. Under National Revenue, for example, there is a large item, which, I think, reflects to quite a considerable degree their stationery requirements. These of course are tremendous, mainly in Income Tax but to a lesser degree in Customs. There is nothing very exciting about this item. It is an ordinary item of office operating costs. I am glad to say that we have been able to get it down this year, in spite of increases in prices. We had to make a drive to try to get down these ordinary operating costs of offices.

The CHAIRMAN: Could you define a little more clearly, Mr. Bryce, what is meant by "Equipment" and what is meant by "Furnishings"?

Mr. BRYCE: Well, ordinary tables, chairs, desks, filing cabinets, things of that sort we regard as furnishings. "Equipment" would include office appliances, —typewriters, adding machines, tabulators, recording machines, machine records and other things of that nature. Of course one interesting development in recent years has been the gradual mechanization of office work which has been proceeding. Year by year we are making savings on our payrolls, by introducing more mechanical methods into office work. The most dramatic type of thing, of course, is the application of tabulating machines and equipment.

Hon. Mr. EULER: That should result in a reduction in personnel, in the number of civil servants. Does that really happen?

Mr. BRYCE: It does in many individual cases. I am afraid that in the totals these savings are offset by additional functions which the government in its various departments takes on. I think that is one of the interesting developments in this field,—the rental of equipment of an elaborate character increases, and on the other hand it enables one to make a considerable saving of labour.

Hon. Mr. HORNER: You have to pay a man to oil the machine now!

Mr. BRYCE: Oh, yes, but we take that into account when we try to decide whether it is worth while putting in installations of this nature.

Hon. Mr. McINTYRE: Under item 11 you said that the expenditure in 1938-39 was \$2,464,000 and this year it is \$11,235,000. According to the statement I have before me the figure for 1951-52 is \$17,500,000. Is that a different set of figures?

Mr. BRYCE: I think, sir, the Chairman was speaking of figures excluding Defence. When Defence is added one gets the \$17,000,000.

The CHAIRMAN: We are now considering the second last page, Senator McIntyre.

Hon. Mr. HUGESSEN: There is one question I want to ask Mr. Bryce on this item. Is each department left to make its own purchasing, or is there any kind of central organization permitting mass purchasing?

Mr. BRYCE: No, sir. In this field there is to a very large degree central purchasing. Normally the furnishings—desks and tables and things of that sort—are supplied by the Public Works Department, who retain ownership and who put them into the offices of the various departments. Office stationery and things of that sort, and typewriters, and even things like calculating machines and other items of office equipment, are normally purchased by the King's Printer and Controller of Stationery, as his official title is.

Hon. Mr. HUGESSEN: And charged to the department?

Mr. BRYCE: That is right,—and charged to the department.

Hon. Mr. HAIG: Take the Senate Stationery Committee. Can you tell me what the estimate was in 1939 and what it is in 1951?

Mr. BRYCE: I am sorry, I could not get the figures from what I have here.

Hon. Mr. HAIG: I suggest to you that it is down very much. The 1939 figure is higher than the 1951 figure.

Mr. BRYCE: It may well be.

Hon. Mr. HAIG: I suggest it is. You do not know?

Mr. BRYCE: I am sorry, I do not have the 1939 figures.

Hon. Mr. HAIG: And I would just like to say, as a member of that Senate Stationery Committee, that the Senate has co-operated with us to a very large extent. I have been on the committee for fifteen years. Through the influence of the chairman, who has persistently indicated to senators that we must try to keep costs down, requests have been curtailed; and today, I suggest, our expenses are very much lower than they were in 1939.

Hon. Mr. ISNOR: Mr. Bryce, when you receive a request for equipment—I am dealing now with machines—does it come to you from a department to the Treasury Board and you approve of it?

Mr. BRYCE: Yes. All major items of office equipment, by tradition, have come before the Treasury Board. I would not like to suggest to you that the ministers making up the Treasury Board can take time to examine every purchase of a large calculating machine, because clearly they cannot. Most of these requests are carefully examined by officers of our staff—Mr. Murphy, or Mr. Landry. They test the demand of a department to see that it is well supported and that there appears to be justification for it and that they are buying the type of machine that is adequate but not extravagant for the job. That is a field wherein the Treasury Board exercises a more detailed scrutiny of expenditures than in most cases.

Broadly speaking, we do not look at items of less than \$500 in regard to equipment. Typewriters go directly to the King's Printer because there are so many involved. I should say that in the last five or six years we have got

along almost entirely on the stock of typewriters that was left with the War Assets Corporation. So we have got along very largely without having to buy many new typewriters in recent years except where special types are required. We do that sort of thing to see that we use up what excess stocks were left at the end of the war. This is a field in which we have tried to produce some central clearance because it is a field where the average chap who buys one of these machines does so quite infrequently. We want to make sure that he has not been led along by a salesman who knows much more about the equipment than he does, and who perhaps would sell him a more expensive model than is necessary for his particular needs.

Hon. Mr. ISNOR: You are the Secretary of the Treasury Board, is that correct?

Mr. BRYCE: Yes.

Hon. Mr. ISNOR: If you were authorized to write to the Printing Bureau to inquire from them as to their present-day stock of all types of machines, could they supply such a list.

Mr. BRYCE: They keep in stock only typewriters and one or two other pretty standard items of equipment. Most office equipment, as distinct from stationery, is ordered as it is required, apart from typewriters. They do keep a stock of typewriters.

Hon. Mr. ISNOR: I did not have in mind typewriters because they take care of themselves pretty well, but I am thinking of the expensive type of machine which a certain department might make a requisition for. I was wondering whether the Treasury Board could say "Well, they purchased one last year and they purchased two the year before and they now have four of them and they are asking for another one, costing about \$3,400, and they have not increased their staff at all".

Mr. BRYCE: Our officers who specialize in this work are familiar in a general way with this background. We do not take a census each year of the stocks held by the various departments. This is one field where we are trying to improve our methods in this regard. The real problem is to know when a department has ceased to need a machine. When a department is asking for something more, you have an opportunity to look at it and screen it. The real problem is to find out when they are through with something and they have not told you so. That is what is difficult from an administrative point of view.

The CHAIRMAN: Is it the practice in the departments for each department to acquire these expensive office work-saving machines, or is there a central depot where these machines are gathered and where that depot does the work for the departments?

Mr. BRYCE: Do you mean that the equipment would be loaned out?

The CHAIRMAN: No. Take for instance the Department of National Health and Welfare. They send out probably a million and a quarter family allowance cheques each month. They use machines for this purpose.

Mr. BRYCE: Oh, yes.

The CHAIRMAN: The Labour Department might be sending out similar cheques, or the Finance Department. Now, does each department get one of these machines or have you one machine that serves the various departments?

Mr. BRYCE: I think I can answer that question relatively briefly. The family allowance cheques are disbursed from each provincial centre, and there are ten different centres from which they are sent out. That is such a huge operation that it is well worth while to have the specialized addressograph equipment and punch-card equipment to automatically make out the cheque, put them in envelopes, and put the postage on the envelopes. That is all done in specialized offices. But here in Ottawa the Comptroller of the Treasury has one office that

sends out these large runs of pension cheques and so on. Therefore he really has a centralized pool of equipment specialized in that sort of major operation. There is a measure of centralization but it does not extend to such huge operations as the disbursement of family allowance cheques. As I say, this work is decentralized to each province.

The CHAIRMAN: Then I understand that the family allowance cheques are not prepared in Ottawa?

Mr. BRYCE: That is right. They are prepared in the provincial centres.

The CHAIRMAN: That means there is a federal bureau in each province for the distribution of these cheques?

Mr. BRYCE: Yes, sir. The cheques come out once a month and there is a peak period, of course, in the Treasury Office at certain periods in the month, but I think it is fair to say that the employees on the whole are quite economically employed in these provincial offices.

Hon. Mr. HORNER: What is the cost of these machines? How many have the departments got, and where are these machines manufactured?

Mr. BRYCE: I am sorry, senator, I cannot tell you from memory but I know that some of them are quite expensive. For example, the big addressograph equipment that is used in the largest of these offices runs between \$50,000 and \$100,000. I cannot tell you just exactly where in this range. These would be found in the Toronto, Montreal and perhaps Vancouver offices. There comes a point when you shift from one type of equipment up to another. This has all got to be carefully balanced, the capital costs against the operating costs. At a time like this the Treasury Board has also asked us to try and judge whether we should not save on capital costs even though in normal times they would be justified. In the last year or two we have refrained from authorizing the installation of certain quite expensive equipment even though they would save operating costs of let us say 10 or 15 per cent of their value each year, because it throws a heavy burden of expenditure into years when it is particularly awkward to face this. The steel and machinery industries are heavily engaged in other work, and we have endeavoured to hold back on that sort of installation.

Hon. Mr. HORNER: Where are these machines purchased from? Where are they manufactured?

Mr. BRYCE: It would depend. Some of the highly specialized equipment comes from the United States. I believe that a number of the companies have set up firms in Canada to manufacture office equipment. This is more the case now than before the war. I believe, for example, there is a firm building typewriters in Hamilton and this firm is exporting typewriters to the United States. I am not certain that we buy many of them. I believe they are noiseless typewriters.

Hon. Mr. EULER: Mr. Bryce, the old age pension cheques go out from provincial government offices, do they not?

Mr. BRYCE: Yes, sir.

Hon. Mr. EULER: The federal government makes a contribution of 75 per cent. Do you have any means of checking up to see that the correct amount of contribution is charged to the federal government?

Mr. BRYCE: Yes, a staff of federal government auditors audits the provincial accounts.

Hon. Mr. EULER: Is that done before the federal government remits the 75 per cent?

Mr. BRYCE: I am not sure whether the auditing is done before the amount is remitted, or whether the audit carries on afterwards and subsequent payments are adjusted.

Hon. Mr. EULER: How often are those payments made?

Mr. BRYCE: I believe each quarter we pay the provincial governments.

The CHAIRMAN: Mr. Bryce, may I ask you whether this equipment is purchased outright or rented?

Mr. BRYCE: I would say the large bulk of the equipment is purchased outright. As you know, the International Business Machines Company normally rents its punch card equipment and will not sell it. There is a good deal of that type of equipment rented by the various departments. Another company now is producing the same sort of equipment and will sell it, and it is a nice point to decide whether equipment should be bought or rented. The advantage of renting is that if a new design comes out in two or three years you have not made a large capital expense, some of which you may lose through obsolescence. On the other hand, on the whole it is economical to buy rather than to rent.

Hon. Mr. BEAUBIEN: And if you rent equipment it is serviced by the people who rent it, is it not?

Mr. BRYCE: Yes. Of course, when you buy most of this specialized equipment you enter into a service contract.

Hon. Mr. ISNOR: Mr. Chairman, we are trying to arrive at some constructive thought that may be helpful for the future. I do not know how many of these pieces of equipment costing from \$50,000 to \$100,000 may be scattered throughout government departments in Canada, but the fact appears to be that they are in use for only a relatively short period each month. Would it be safe to say they are used only from five to seven days a month?

Mr. BRYCE: It might, senator. They would be making the plates on the other days.

Hon. Mr. ISNOR: These machines cost many thousands of dollars and are in use only a relatively short period each month, and of course the employees who operate them are kept busy only when the machines are in use. I am wondering if you have ever considered staggering the monthly periods of sending out the cheques? I understand that some telephone companies, for instance, have divided their subscribers into two groups, one of which receives bills on approximately the 15th of the month and the other on the 30th or 31st. That system enables the company to keep its equipment in use and the operators of the equipment at work for at least 50 per cent of the time.

Mr. BRYCE: Your suggestion is, senator, that we might send out one batch of family allowance cheques, say, each week?

Hon. Mr. ISNOR: Yes.

Mr. BRYCE: The endeavour is to have the cheques sent out as soon as possible, and the only objection I can see to a system of that kind is that some people would have to wait a week or two longer before getting their first cheque. Once they have got that first cheque they would thereafter get cheques as regularly as under the present system, but that initial period of waiting is often an unwelcome one. We looked into the same sort of thing with regard to our payroll operations. I think we could save some money on our payroll operations if we could be in arrears and pay a few days later. Normally that would not worry the employees, but at the commencement of the system our payroll would be delayed, say, a week or so, and the delay would not be very welcome to our employees, particularly at a time like this.

Hon. Mr. HORNER: But the only wait by those who receive family allowance cheques would be for the first cheque, because the subsequent ones would come regularly after that.

Mr. BRYCE: Yes, sir. I think the suggestion is a worth-while one, and I shall certainly commend it to Dr. Davidson for study.

Hon. Mr. ISNOR: I simply offered it as a suggestion.

Hon. Mr. BUCHANAN: Mr. Bryce, can you tell us whether a procedure of stock taking and inventory is followed at the Printing Bureau as it is in an ordinary business? The Bureau receives a number of typewriters and other equipment and a great deal of stationery. Can you tell us if stock is taken each year?

Mr. BRYCE: Are you referring to the Printing Bureau, sir, or to departments in general?

Hon. Mr. BUCHANAN: I am referring to the Printing Bureau.

Mr. BRYCE: I understand that the Printing Bureau does keep pretty good inventory records now. In recent years the departments have been making considerable progress in the introduction of more modern business methods. During the war naturally most departments were relatively shorthanded and their budgets were kept down, and in many cases after the war their methods were not as up to date as those of efficient business firms might be. I know that the King's Printer has been making considerable reforms in the business methods at the Bureau, and one of these reforms in which he has made progress is in the keeping of proper inventory control. For instance, they have a punch card system there for this sort of thing, and they catalogue their stocks and keep a check on whether they need to order fresh supplies, and they classify incoming requests and so on.

Hon. Mr. BUCHANAN: You mentioned that typewriters were being handled through the Printing Bureau. They receive a number of machines during the year and perhaps dispense with some. Is there any stock taking done as there would be in an ordinary business, and an inventory taken?

Mr. BRYCE: Yes, there is some stock taking done. However, that is a question which I prefer you would put to Mr. Cloutier himself. I am sure he would be only too glad to give the Committee information on this.

The CHAIRMAN: Is there any further question on item 11? If not, we shall pass on to item 12, "Materials and Supplies." I have just had handed to me a little booklet entitled "Current Publications of the Dominion Bureau of Statistics for 1950." In this booklet there is a list of the publications put out. For some of them a charge is made, and others are obtainable free of charge. I would ask the Clerk to get a copy of this pamphlet for each member of the committee. You can glance over it, and you may be interested in prosecuting the inquiry a little further. At any rate, we can settle the point later, but in the meantime I shall have a copy of the pamphlet placed in the hands of each member of the committee within the next day or so. I have just glanced over it, but I find it a most interesting summary.

Hon. Mr. ISNOR: In your opinion, that is a pamphlet that is worth printing?

The CHAIRMAN: Yes; this is a real reference book for the increase of knowledge.

We come to the next item, No. 12.

Hon. Mr. HAIG: Tell us what that is, Mr. Bryce.

Mr. BRYCE: This is largely the consumable supplies and materials that are used in operations. They are not office supplies, but are building supplies, for example, in the Department of Public Works. There is included fuel, supplies for laboratories and such things in various departments. You will notice that this is an item that is absent from the budgets of many departments. By referring to the large table you will note that it is the big operating departments where you find this, namely, Agriculture to some extent, Citizenship and Immigration, which would be largely Indian Affairs, who buy a good deal of material for distribution to the Indians. Justice and Penitentiaries: That covers foodstuffs and other materials for the operation of penitentiaries. Mines and Surveys: A

good deal of that will be foodstuffs and other materials for survey parties. Health and Welfare: That will be largely items for laboratories and hospitals operated by that department.

Hon. Mr. HAIG: We cannot make any progress in that; it is purely a matter of management, I would say.

The CHAIRMAN: National Health and Welfare under this item shows \$2 million.

Mr. BRYCE: I think you would find, sir, that most of that is for the Indian Health Service, the operating of hospitals. I will check that.

The CHAIRMAN: Would this include supplies such as fuel for public buildings?

Mr. BRYCE: Yes, sir; you will notice there is a large item for Public Works.

The CHAIRMAN: The heading is: "Material and Supplies, Buildings and Works, including Land". The significant point is that it is showing a steady increase. Twelve years ago it was a little more than \$6 million; this year it is almost \$39½ million, or an increase of about six and a half times. Now, our population hasn't increased at that rate.

Hon. Mr. TAYLOR: I see here coal, wood and electrical supplies, on which I should imagine the cost has gone up almost that proportion.

Mr. BRYCE: Yes. I think one other reason for the large increase is the expansion in the government's hospital services. Quite a considerable proportion of this is for hospitals. For instance, you will note in the large table that the Department of Veterans Affairs is responsible for quite a significant fraction of the whole, somewhere in the neighbourhood of 20 per cent. Nearly all of that is for veterans hospitals. Similarly with the Health and Welfare, much of the increase is for Indian hospitals. There are two activities that have expanded far more than other activities of the government during the past twelve years, and I think deliberately so, as a matter of government policy.

Hon. Mr. ISNOR: You do not mean capital expenditures, when you refer to new hospitals?

Mr. BRYCE: No; these are operating costs, supplies, food for patients and staff, linen, cleaning supplies, fuel and other things.

The CHAIRMAN: Again a rather difficult point comes up. Everyone is agreed that our veterans should have proper hospital care, but it may be that we have built more accommodation of this kind than is necessary. It would be interesting to get some data on that. For instance, in the building of Indian hospitals, I think the tendency in recent years has been to spend more money than was really necessary to provide for the care that was needed. I have in mind the Indian hospital at Sioux Lookout, which cost more than \$600,000, has accommodation for about 60 patients, and requires a staff of about 32. The cost of \$600,000, as I recall it, was without furnishings and equipment. Well, it may be that a more modest hospital would have supplied the kind of care that was necessary and effective. We must guard against the human tendency in the public expenditures of getting the best of everything that we can get, when perhaps something less expensive would do just as well. This is a large item, and the significant thing, as I say, is that it has shown a steady increase, and this year it is almost \$2 million over a year ago.

Mr. BRYCE: Perhaps I might be allowed to make an observation on that item. I know from having examined a great many individual appropriations that the increase there, by and large, is nearly all due to the increase in prices.

The CHAIRMAN: That may be quite true. The prices today against the prices of 1939—

Mr. BRYCE: Pardon me. I meant only the increase in price of this year over last year.

The CHAIRMAN: Is there any further discussion on that item? If there are no further questions, we will go to Item 13: Acquisition and Construction. This is practically all under Public Works, and a lot of it will be for the Army.

Mr. BRYCE: No; you will find this under quite a number of departments; of course Public Works is much the largest. For example, there is a considerable amount for Agriculture, a further amount for Indian Affairs, also Citizenship and Immigration; there is a considerable amount for the Research Council, and some for Resources and Development, and also Transport.

Hon. Mr. TAYLOR: Public Works is down about \$17 million.

Mr. BRYCE: Yes, sir.

Hon. Mr. GOLDING: There is a pretty big increase there as compared with 1939.

The CHAIRMAN: Items 13, 14 and 15 fall together. Twelve years ago the expenditures on Acquisition and Construction, Repairs and Upkeep and Rentals amounted to about \$35,000,000; this year the total is about \$140 million. Can you give us some information on that, Mr. Bryce?

Mr. BRYCE: Well, sir, this is where the bulk of our capital expenditures is found, apart from Defence items. It is here that the government made a quite determined effort this year to reduce its program of expenditure. This is the kind of expenditure which is more susceptible to reduction on relatively short notice than many of the others. This reduction in the amount for the Acquisition and Construction of Buildings and Works represents a very determined effort by the government and the Treasury Board to reduce last year's program, and that is reflected in the figures for individual departments. I do not know that there is much I can say about it. I would like to emphasize that a great many of the public works and the public buildings of the Dominion are old. Their replacement was deferred during the thirties for reasons of the depression and the shortage of funds, and during the forties, because of the war and the immediate post-war difficulties, so that there is case after case where a very good argument can be made for replacing public buildings or replacing harbour docks or breakwaters or things of that sort. Yet the government, in order to try to get these figures down, has had to resist the arguments for replacements or improvements of works.

The CHAIRMAN: Do you know off-hand what the new Veterans Building will cost?

Mr. BRYCE: This one here in Ottawa? Well, it is very complicated. There are two portions ultimately envisaged by the plans, and I believe they have only started on the first portion. I am sorry I could not tell you how many million dollars this first half will cost. I think it will be \$5,000,000, anyway.

Hon. Mr. HAIG: What building is that?

Mr. BRYCE: The new Veterans Affairs Building, sir.

Hon. Mr. HAIG: In Ottawa?

Mr. BRYCE: Yes, down the street here, beyond the Bank of Canada. That is, I believe, the only large permanent-type building that has been contemplated here in recent years.

Hon. Mr. BOUFFARD: In Ottawa?

Mr. BRYCE: In Ottawa—apart from the Printing Bureau, of course.

The CHAIRMAN: The new Printing Bureau is in process of erection, is it?

Mr. BRYCE: Yes. I have not been over there recently, but I understand the foundations are in.

The CHAIRMAN: We were told last year that the land and the building would cost about \$13,000,000.

Mr. BRYCE: Yes, I think somewhere in that neighbourhood.

The CHAIRMAN: That was the information given us a year ago, I understand.

Hon. Mr. BOUFFARD: That was last year.

The CHAIRMAN: That was last year, and probably it is more this year.

Hon. Mr. BOUFFARD: Yes.

Hon. Mr. BUCHANAN: Can you tell me if the report is true that a certain building is required by the Mounted Police?

Mr. BRYCE: I do not think it would be proper for me to comment on or to affirm or deny any such report.

Hon. Mr. HAIG: Are you dealing with items 13, 14 and 15?

The CHAIRMAN: We took Number 13. We can take 14 next.

Hon. Mr. HAIG: He has mentioned that. He told us that various buildings and works need repair.

The CHAIRMAN: That is under Public Works; it has to do with the securing and the maintenance and upkeep of public buildings.

Hon. Mr. ISNOR: Before we leave Number 13 I would like to inquire from Mr. Bryce whether he is familiar with the new building being constructed by the Central Mortgage and Housing Corporation? I see that a new building is going up outside Ottawa.

Mr. BRYCE: The Central Mortgage and Housing Corporation are, of course, building that themselves out of their own funds. I am in general familiar with the nature of the plans.

Hon. Mr. ISNOR: What do you mean, "out of their own funds"?

Mr. BRYCE: It is money held by the corporation in their own accounts. The government is not advancing them funds for the purpose, so I would not learn in that way; but I know from discussing it with the senior officers of the corporation.

Hon. Mr. ISNOR: It would indicate that they are here to stay!

Mr. BRYCE: I think they have been given every indication, sir, by the government to expect that they will be business for some time.

Hon. Mr. BOUFFARD: They are organizing for that, anyway.

Hon. Mr. ISNOR: Would you care to say anything as to the probable cost of that building?

Mr. BRYCE: I am sorry, I could not tell you off-hand the total cost. But I may say that I was struck by the economical design and nature of the plans. It seemed to me that they had gone to some lengths to keep the cost down.

Hon. Mr. ISNOR: Four walls and fairly compact: is that what you mean?

Mr. BRYCE: Yes, and I believe they are not putting in a basement.

Hon. Mr. ISNOR: How about the location as far as health is concerned?

Mr. BRYCE: I think that has been pretty carefully studied; and they have managed to get land out there much more cheaply than they would get it in town. I believe they have been assured by the Ottawa Transportation Commission of quite adequate transportation for their staff in town; and of course over the years their staff will move out in that direction. Indeed, I was told—this is not official—by the president of the corporation just the other day that already there is evidence of a gradual move in that direction.

Hon. Mr. ISNOR: That is what I had in mind, and that is why I am asking these questions. The Central Mortgage and Housing Corporation, as indicated by Mr. Bryce, is likely to stay. They have gone outside the limits of the city of Ottawa, and they are building a little town out here. The question in my mind is, why concentrate so close to a city like Ottawa, which has already received considerable attention in so far as buildings are concerned? There must be very many other places in Canada that would welcome a building.

put up at the government expense or the public expense, and a new settlement, a town. The other Sunday, while driving by, I saw this place for the first time, and the thought went through my mind that the Central Mortgage and Housing Corporation had had an opportunity to build, we will say, outside one of our smaller towns or cities, instead of doing what is so often done—adding further to the growth of our capital. I do not think that I am satisfied in regard to the policy of going outside in so far as help is concerned unless they are satisfied that transportation will be provided. If extra transportation facilities are provided it is going to add to the cost and perhaps the revenue of the Ottawa Transportation Commission. It is just something else being given to the larger centres of our Dominion. I thought I would express this thought. Perhaps Mr. Bryce would care to make an observation without dealing with the dominion government policy, as to whether he thinks in his own mind that that is a good move.

Hon. Mr. HAIG: He cannot say that. That corporation is controlled and the money they have got has been raised largely from the buildings they got from the government after the Second World War.

Hon. Mr. ISNOR: The buildings that were given to them by the government.

Hon. Mr. HAIG: Yes.

Hon. Mr. ISNOR: That is a direct contribution to them. Once again it is in central Canada.

Hon. Mr. HAIG: Yes, but this is the centre and it is hard to get away from the centre.

Hon. Mr. ISNOR: This is starting something new altogether. It could be built in, say, Manitoba, but it is being built just outside of Ottawa.

Hon. Mr. BOUFFARD: There must be some advantage in having a building near the headquarters of the department concerned.

Hon. Mr. ISNOR: You cannot say in one breath that it is good to decentralize these things and then in the next breath say that it is good to have them centralized in the interests of co-operation. It must be one or the other.

Mr. BRYCE: In answer to your general question I do not believe there has been any definite statement of policy by the government in regard to either the dispersal from the centre of Ottawa out to the outskirts, or the decentralization away from Ottawa to other points of the country. I think I might legitimately say that in examining proposed expenditures I have been given to understand that it is the general attitude of the government that it does not wish to concentrate further in the centre of Ottawa at this time. This is partly for reasons of defence. Already there is a very great concentration in downtown Ottawa. I think if one examines the Greber plan one will notice that there is a considerable movement away from the downtown area for town planning reasons as well. You will also notice that the new buildings for departmental purposes at Tunney's Pasture represent an effort to get away from the downtown area. I think it is safe to assume therefore, that there is a general effort to get away from the highly centralized area and disperse somewhat.

As to decentralization away from Ottawa to other parts of the country, again where individual cases have come up I have found the instructions that I have received from the Treasury Board and the Cabinet have indicated on a whole a preference to decentralize if that can be done with efficiency. There is a natural tendency of departments to want to concentrate. It makes it easier for the Minister and senior officers of the department to supervise their units if they are close to them, but certainly there is a desire to decentralize in so far as that can be reconciled with administrative efficiency.

Hon. Mr. ISNOR: Just where is that new building located?

Mr. BRYCE: It is hard to pick out individual cases—

Hon. Mr. ISNOR: No, I am speaking about the new buildings going up for the Central Mortgage and Housing Corporation.

Mr. BRYCE: Oh, it is situated out on the Montreal road near the National Research Council Laboratories?

Hon. Mr. ISNOR: How far from the city limits would that be?

Mr. BRYCE: It is within the new city limits but it would be about four miles from here. Similarly the main new departmental buildings being constructed are located at Tunney's Pasture which is about two and three-quarter miles from here. That is in air-line miles.

The CHAIRMAN: I take it that the new building for the Central Mortgage and Housing Corporation is not included in these figures?

Mr. BRYCE: No.

The CHAIRMAN: That is being built from its own reserves, I presume, from the capital the government gave it.

Hon. Mr. HAIG: Plus the profits they made on the real estate they got. You will remember that we discussed this whole thing fully last year. We brought the housing commissioner here and he admitted to me under cross-examination, after a great deal of trouble, that they had received certain properties from the government for nothing, on consideration that the net profit made by the Corporation in a year, after certain reserves were retained, would be then turned over to the government as payment on the value of these houses at the time they got them. I pointed out that the cost of housing more than doubled between 1940 and 1950 and that, at the same time, the scarcity of houses had doubled, so that when they wanted to sell these houses they could sell them at quite a handsome profit. They only sold so many at a time and they rented others in the meantime. It is that money they are spending now. They could only do it with the consent of the government, as Senator Isnor has said. The government controls that absolutely. That capital is in there. I went out and saw that building the other day and I rather think it is in a pretty good location, and I do not believe that you could have that kind of a building decentralized from Ottawa.

Hon. Mr. ISNOR: How many employees will there be out there roughly speaking?

Mr. BRYCE: I am sorry. I would not be able to answer that question directly but I think it will be in the order of a thousand employees or so.

Hon. Mr. ISNOR: A thousand wage earners are being put out there.

Mr. BRYCE: We have a large number of employees at the National Research Laboratories on the Montreal Road at the present time, and then there is the R.C.M.P. barracks and air force installations at Rockcliffe. It is nothing new.

The CHAIRMAN: If there is nothing further to be said on this item of \$114 million we will pass on to Item 14, Repairs and Upkeep. A brief explanation of this might be in order.

Mr. BRYCE: I think this is a question of the care and upkeep of buildings as distinct from construction of buildings. It includes materials and other costs entering directly into the cost of major or extraordinary repair, but it would not include ordinary materials that, let us say, the Department of Public Works itself buys and uses to fix lights or something of that kind in a building. In other words, the cost of some repairs and upkeep is covered under the salaries and under materials and supplies.

Hon. Mr. HAIG: We cannot do much with that. I would like Mr. Bryce to bring me, at our next meeting, a memorandum under item No. 15, setting out

the buildings and the amount of space rented in Winnipeg and its environs. I have received from Winnipeg a protest that the government is renting too much office space in that city, and I should like information on this.

The CHAIRMAN: You want to know the amount of space rented in each building?

Hon. Mr. HAIG: Yes. For instance, the government has space in the Power Building, and there is a protest that it is using more space than it requires there.

The CHAIRMAN: Before we adjourn I wish to announce that Mr. Bryce has presented a statement showing the numbers of employees of the government of Canada, excluding members of the Armed Services and the R.C.M.P., as at March 31, 1939, 1948, 1949, 1950 and 1951. This will be circulated to every member of the Committee, and I would ask that you keep it in your folders for ready reference.

Again may I suggest to the Committee that this big sheet which was presented earlier, the "Summary of Standard Objects of Expenditures and Special Categories," which the Minister of Finance submitted with the Estimates this year, is one of the most valuable statements given to parliament in my time for the purpose of enabling senators and members to get a comprehensive and adequate idea of just what is being done with the money that we vote.

The Committee adjourned until tomorrow, Wednesday, May 23, 1951, at 11.15 a.m.

APPENDIX B

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA
(Excluding Members of the Armed Forces and R.C.M.P.) as at March 31, 1939, 1948, 1949, 1950 and 1951

	Numbers Reported By Dominion Bureau of Statistics (1)					Numbers Reported By Departments To Department of Finance For the Purpose of This Report	
	1939	1948	1949	1950	1951	1950	1951
Agriculture.....	3,122	5,381	5,914	6,667	7,078	6,495	6,863
Auditor General.....	231	173	173	169	163	169	163
Chief Electoral Officer.....	15	10	19	13	14	(2)	14
Citizenship and Immigration.....				2,657	2,917	2,799	3,411
Civil Service Commission.....	235	532	572	580	536	583	534
External Affairs.....	193	1,054	1,224	1,301	1,341	1,302	1,368
Finance.....	213	1,677	1,698	645	602	607	607
Comptroller of the Treasury.....	1,073	4,653	4,524	4,300	4,034	4,344	4,031
Royal Canadian Mint.....	126	288	402	222	222	222	222
Tariff Board.....	20	11	11	17	17	17	17
War-time Prices and Trade Board.....							
Fisheries.....	235	1,145	1,029	690	962	687	260
Governor General's Secretary.....	14	12	10	10	10	1,178	(5) 1,450
House of Commons.....	516	541	636	656	662	(7) 656	661
Insurance.....	53	59	63	72	82	72	81
International Joint Commission.....	6	4	4	11	10	10	11
Justice.....	106	152	179	192	204	1,557	204
Commissioner of Penitentiaries.....	985	1,174	1,255	1,364	1,590	1,509	1,509
Labour.....	244	7,620	6,920	7,148	7,051	736	1,674
Unemployment Insurance Commission.....						8,347	7,724
Library of Parliament.....	27	31	34	31	36	31	36
Mines and Technical Surveys.....						1,778	1,816
National Defence: Administration.....							2,676
Army Services.....	1,142	8,741	10,045	9,118	7,119	13,217	13,757
Naval Services.....	178	2,984	3,451	4,022	4,119	6,731	7,827
Air Services.....	104	3,314	3,408	3,707	4,121	4,628	5,795
National Film Board.....		598	547	596	561	603	572
National Health and Welfare.....							
Departmental Administration.....		223	236	268	257	264	251
Health.....		725	497	847	880	841	864
Welfare.....		752	743	755	733	779	765
Indian Health Services.....		646	812	931	1,084	1,031	1,196
National Research Council.....	226	1,543	1,524	1,694	1,891	(8) 2,991	(9) 3,172
Atomic Energy Control Board.....		7	7	7	7	7	7
National Revenue—							
Customs and Excise.....	4,415	5,552	5,776	6,086	6,211	6,086	6,194
Income Tax.....	1,291	10,478	11,704	10,629	7,011	10,629	7,011

Post Office.....	12,518	17,105	18,049	18,899	18,938	(9)	33,029	(9)	32,902
Prime Minister's Office (11).....	19	68	72	34	37		34		35
Privy Council.....	67	54	55	53	48	(10)	63		63
Public Archives.....	652	786	856	61	65		61		66
Public Printing and Stationery.....	4,124	6,574	6,547	991	1,041		991		1,041
Public Works.....				6,954	7,103	(12)	7,628	(12)	6,800
Resources and Development.....				1,570	1,689		2,277		2,337
Royal Canadian Mounted Police.....									
Secretary of State (13).....	86	463	490	568	622		668		910
Senate.....	346	528	557	588	588		608		575
Trade and Commerce (Including D.B.S.).....	1,024	145	152	156	159	(7)	156		159
Board of Grain Commissioners.....	642	2,562	2,470	2,801	2,775		2,798	(16)	2,772
Canadian Government Elevators.....	128	781	791	813	779		806		774
Transport.....	5,163	157	140	137	169		137		169
Air Transport Board.....		7,828	(14)	8,535	10,028	(14)	11,979	(14)	11,698
Board of Transport Commissioners.....		36	42	48	54		53		53
Veterans Affairs.....	97	136	144	155	158		155		158
Soldiers Settlement and Veterans Land Act.....		(15) 15,173	(15) 14,011	(15) 13,748	12,931	(15)	13,748	(15)	12,917
Mines and Resources—		1,678	1,468	1,334	1,224		1,334		1,224
Departmental Administration.....									
Immigration.....	70	108	127						
Indian Affairs.....	595	1,079	1,281						
Lands and Development.....	1,038	771	877						
Mines, Forest and Scientific Services.....	558	683	789						
Special Projects.....	437	1,562	2,107						
Pensions and National Health.....	449	8	6						
Reconstruction and Supply.....	2,638								
Totals.....	46,106	118,370	123,924	127,044	124,866		155,960		156,220
Crown Corporations, and Corporate Agencies, other than CNR and its subsidiaries (17).....							13,189		15,194

See new post-war Departments for 1950
and 1951 figures

(1) The Dominion Bureau of Statistics publishes annually summary statistics of the Civil Service of Canada, and the figures for 1939, 1948, 1949 and 1950 were obtained from these publications. The figures for 1951 have not yet been published, and were obtained directly from Dominion Bureau of Statistics for the purposes of this report.

(2) Includes 3 Commissioners (1951) figures include 4 employees on Retirement Leave; (1 on Educational Leave; 1 on Military Leave; and 4 on loan).

(3) Includes Farmer's Creditors Arrangement Act (6 employees)

(4) Includes Fisheries Research Board (276 employees for 1950; 328 employees for 1951) and the International Pacific Salmon and International Fisheries (Halibut) Commissions.

(5) Does not include 2 Aide-de-Camps to the Governor General.

(6) Includes seasonal employees.

(7) Includes employees of the Atomic Energy Project, Chalk River, Ontario. Also includes 57 Post Graduate Fellows.

(8) Includes 14,005 (1950) and 14,021 (1951) employees of revenue post offices who are paid through the Finance Branch of the Post Office Department.

(9) Includes 10 employees on the staff of the Royal Commission on Arts, Letters and Sciences.

(10) Prior to 1950, the staff of the Prime Minister's Office was carried on other establishments.

(11) Does not include 240 (1950) and 276 (1951) revenue postmasters who are also employed part-time by the Department of Public Works.

(12) Includes staff of the Canadian Maritime Commission and the Royal Commission on Transportation.

(13) Includes staff of the Canadian Pension Commission, War Veterans Allowance Board, and 56 Medical Research Staff on Special Projects in Departmental Hospitals.

(14) Includes appointments made under the Essential Materials (Defence) and Defence Supplies Acts prior to the Defence Production Act.

(15) The following crown corporations and corporate agencies are included:
Bank of Canada; Canadian Aerials Ltd.; Canadian Broadcasting Corporation; Canadian Commercial Corporation; Canadian Farm Loan Board; Canadian Wheat Board; Central Mortgage and Housing Corporation; Commodity Prices Stabilization Corporation; Dominion Coal Board; Edmonton Mining and Refining (1941) Ltd.; Export Credit Insurance Corporation; Federal District Commission; Industrial Development Bank; National Battlefields Commission; National Harbours Board; Northwest Territories Power Commission; Northern Transportation Company Ltd.; Park Steamship Company Ltd.; Polymer Corporation Ltd.; Crown Assets Disposal Corporation.

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THE SENATE OF CANADA

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PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 4

Wednesday, May 23, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., *Chairman*

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Moraud
Beaubien	Hayden	Paterson
Bouffard	Horner	Petten
Buchanan	Howard	Pirie
Burchill	Howden	Reid
Campbell	Hugessen	Robertson
Crerar	Hurtubise	Roebuck
Davies	Hushion	Ross
DuTremblay	Isnor	Taylor
Euler	King	Turgeon
Fafard	Lacasse	Vaillancourt
Farquhar	Lambert	Vien
Farris	McDonald	Veniot
Fogo	McIntyre	Wilson

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday,
March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 23, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.15 a.m.

Present: The Honourable Senators Crerar, Chairman; Barbour, Bouffard, Buchanan, Euler, Golding, Haig, Hayden, Horner, Hugessen, Isnor, Lambert, Reid, Taylor, Vien and Wilson—16.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was continued.

Mr. R. B. Bryce, Assistant Deputy Minister, Treasury Board Division, Department of Finance, was again heard.

At 1.00 p.m. the Committee adjourned until tomorrow, Thursday, May 24, 1951, at 11.30 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Wednesday, May 23, 1951.

The Standing Committee on Finance, which was authorized to examine the estimates laid before Parliament for the fiscal year ending March 31, 1952, met this day at 11.15 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: We have a quorum, and we shall proceed. Yesterday, when we concluded the hearing, we were on items 13-15. They were left over until today so that if any member of the committee thought up some new question during the night he could ask it. Has that happened? If not, we will pass on.

Hon. Mr. HAIG: I want a report on Number 15.

Mr. BRYCE: About the leases in Winnipeg?

Hon. Mr. HAIG: Yes, sir.

Mr. BRYCE: I called up the Department of Public Works immediately after getting back from the committee, but they have not been able to give me the figures yet on the Winnipeg leases.

Hon. Mr. HAIG: That will stand until the next meeting.

Mr. BRYCE: Yes: I will bring them along, or send them along.

The CHAIRMAN: That stands.

Hon. Mr. HAIG: Just Number 15 stands, Mr. Chairman.

The CHAIRMAN: We will go on to the next heading, "Equipment". We will take Number 16 first. This deals with the acquisition and construction of equipment.

Hon. Mr. ISNOR: Mr. Chairman, are you going to give a decision in regard to the requests made by Mr. Senator Reid in reference to bringing Mr. Gilbert Jackson before this committee? You stated that you would think it over and make a decision and let us know as to whether you propose bringing him before this committee.

Hon. Mr. HORNER: In what connection?

Hon. Mr. ISNOR: Well, Mr. Senator Reid brought up the question. It is not mine.

Hon. Mr. REID: I brought up a question the other day about Mr. Gilbert Jackson.

The CHAIRMAN: Yes. I would ask Senator Isnor to let that stand for a moment. I want a meeting of the steering committee immediately the house rises this afternoon. There are some other suggestions in that connection, on the matter of witnesses.

Hon. Mr. HAIG: I think, for the benefit of Senator Reid and Senator Isnor, I might say that that matter is actually under consideration now by the steering committee. Actually the chairman brought it up himself. We have not reached a conclusion yet, because there are some other communications we want before we reach a conclusion.

Hon. Mr. ISNOR: I just want to say that the chairman mentioned the names of two outstanding economists from the United States. I am in accord with that

thought. I certainly have not talked it over with Mr. Reid, but I am all for bringing a Canadian here who has studied our problems. He has prepared figures for others, and I happen to have some of that material. I would also refer to an editorial which recently appeared in the *Financial Post*, quoting Mr. Jackson. I think he should be among the first to be brought as an outside expert before this committee to deal with over-all questions of expenditure.

Hon. Mr. HAIG: Mr. Chairman, you cannot say, but I can, that the chairman already suggested that we try to bring somebody from the United States, and a number of names were suggested, and we also tried to bring some from Canada, and a number of names were suggested, and the gentlemen in the United States were communicated with, and neither of them can come.

Hon. Mr. ISNOR: He told us that.

Hon. Mr. HAIG: When the question of having someone from Canada was brought up, the name you mentioned was referred to, and we were asked to thing it over and see if we had any other names to suggest. We shall have a meeting as soon as the house rises this afternoon, and at the next meeting we shall be able to tell you the decision.

Hon. Mr. ISNOR: That is satisfactory. I was just emphasizing my own point of view. The matter can stand.

The CHAIRMAN: I think I mentioned yesterday—perhaps I did not, to the committee as a whole—that the two gentlemen we were hoping to get from the United States are unavailable. I have been in communication with them both, and have had replies from them both, and it is quite impossible for them to be in Ottawa any time within the next three months. That was mentioned yesterday in our proceedings. Shall we proceed with item 16? This deals with equipment. An interesting thing about that is that the total expenditure under this heading twelve years ago was slightly over \$2,000,000, and in 1951 it was about \$15½ million. It should be pointed out, however, that that is a decrease from a year ago of probably \$3¼ million.

Hon. Mr. GOLDING: What sort of equipment is that?

Mr. BRYCE: The biggest items here, sir, would be ships and automobiles and aircraft and laboratory equipment and machine shop equipment. I am not sure of that order, but ships would certainly be much the largest.

Hon. Mr. HORNER: Could it all be classed as purely non-military?

Mr. BRYCE: Well, for example, if you will look at the estimates, by far the biggest item is in the case of the Department of Transport,—\$6,000,000; and if you will glance at the details you will see that the big ones are ships.

Hon. Mr. HAYDEN: Are they merchant ships?

Mr. BRYCE: No, they would be ships for various departmental purposes. The ice-breaker, I imagine, is in here as one of the largest items, although I am not certain of the time at which that is to be finished.

Hon. Mr. HUGESSEN: Yes: \$2,000,000 for an ice-breaker appears on page 465, under Transport details.

Mr. BRYCE: Yes. That is the biggest item under the ships. Then there are one or two other items listed in relation to construction of ships of one kind and another.

The CHAIRMAN: There are three items here that properly, I think, could be considered together: Acquisition and Construction and Equipment, Repairs and Upkeep of Equipment, Rentals of Equipment. I notice, Mr. Bryce, in Agriculture, under the heading of "Acquisition and Construction", there is over \$1½ million in the estimates this year.

Mr. BRYCE: Yes, sir.

Hon. Mr. CRERAR: What is that for?

Mr. BRYCE: I would think a good deal of that is for equipment for experimental farms, for the science service laboratories, automobiles for the inspecting staff, and similar staff, and construction equipment on the big western irrigation and other projects in the West. I would have to consult the details in the estimates to locate it more definitely than that.

The CHAIRMAN: Would the building of the dam on the Milk River be included in that, or just the equipment required there?

Mr. BRYCE: No, not the building of the dam. It would come under Construction of Buildings and Works, but under this heading there is \$130,000 for equipment for surveys, investigations and operation of projects, which would include big earth-moving machinery.

The CHAIRMAN: It will be noted that the expenditure of a year ago for Agriculture under Acquisition and Construction was \$1,592,000. Now, is this purchasing of equipment a continuous thing?

Mr. BRYCE: It is not continuous. We regard it mainly as capital, that is, non-recurring. The life of equipment normally is shorter than the life of buildings and works. For example, a motor car, depending on the type of use, will last for perhaps six or eight years.

The CHAIRMAN: Have you any information as to the number of government motor cars employed in the Department of Agriculture?

Mr. BRYCE: We get that information each year at the Treasury Board but I could not tell you it from memory. It would certainly be somewhere in the hundreds, but how many hundreds I do not know.

The CHAIRMAN: Could you readily get for us the number of automobiles in each department of government?

Mr. BRYCE: I think so, Senator. We would have fairly up-to-date figures on that if the committee wanted them.

The CHAIRMAN: Would it be worth while to get that information?

Hon. Mr. HAIG: I do not think it would be worthwhile. I do not think we can cover that. We are trying to find, as you know, how the expenditures of government add to inflation.

Hon. Mr. HORNER: Well, cars do.

Hon. Mr. HAIG: Yes, but it is a very ticklish subject as to whether a car is needed or not. That is all I am thinking about. Frequently in the business in which I am associated we have to decide whether a man needs a car or not, and it is a very difficult thing to decide.

Mr. BRYCE: We find the same thing.

Hon. Mr. HAIG: I am sure you do.

Mr. BRYCE: The policy of the government has been to replace its cars normally after 100,000 miles of use. I think that is probably a little longer than is strictly economical, but the government deliberately extended it to that length of use in an endeavour to cut down the competition for the purchase of steel and the other things going into motor cars.

Hon. Mr. REID: Have you made any investigation as to whether it would be cheaper to pay a man seven to nine cents a mile for the use of his own car than to provide a government car for his use? I am wondering if any comparison has ever been made.

Mr. BRYCE: Opinions differ as to which is the more economical system. Broadly speaking, we feel that it depends on the extent and nature of the use. If it is only a question of an employee driving for perhaps a few thousand miles a year, on the whole it is much better for him to be paid so much a mile for

using his own car. On the other hand, if he is driving something over ten or fifteen thousand miles a year we feel it is better for the employer to provide the car. Again it is difficult to get employees to use their own cars when they are carrying heavy equipment about, or when they are engaged in survey work where the car gets damaged to some extent. Broadly speaking I think it is fair to say that where employees use cars only relatively small amounts, it is felt to be more economical to let them use their own cars.

Hon. Mr. BARBOUR: That is a correct analysis, but I think perhaps if the government owned the car that is driven around 10,000 miles they would save some money. If it is a matter of 2,000 miles I think it is better for the government not to own the car.

The CHAIRMAN: The significant thing about these figures is the growth as compared with twelve years ago. We are making progress. There is a greater population and greater development, but this figure of Acquisition and Construction, under the heading of Equipment, without any reference to Repairs or Rentals, has gone up more than seven times in twelve years. Even if the dollar is only worth half today what it was in 1939, this figure would still represent an increase from \$2 million to \$7½ million or \$8 million, an increase of four times. That seems to me to be a large increase.

Hon. Mr. HAYDEN: Are we able to determine where and in what departments these increases have taken place?

The CHAIRMAN: They have taken place in all departments.

Hon. Mr. HAYDEN: Yes, but some must have increased more substantially than others. Where were the biggest increases?

Mr. BRYCE: The big increase far and away is the Department of Transport, and these costs have risen from the necessity to expand and re-place its vessels, and from the meteorological and air transport work done in the department. The latter gives rise to a lot of necessary airport equipment.

Hon. Mr. HAYDEN: Would it be a terrific job to break that down and say what is necessary and what is not necessary?

Mr. BRYCE: We try each year in the Treasury Board to test out the necessities for the various items. It takes days to go through the schedules for that one department and to reach any sort of a tentative conclusion. It is a matter of detail to verify the necessity in each case.

Hon. Mr. HAYDEN: These figures do not include the T.C.A.?

Mr. BRYCE: No, sir. They would include some purchase of aircraft for the Department of Transport itself. They have certain aircraft for use in their own operations, but it would not include the T.C.A. equipment.

Hon. Mr. HUGESSEN: There is one point in comparing the figures of 1938-39 with those of the last three years, which has not been mentioned but which has come across my mind several times. I suppose some minor proportion of this increase is attributable to Newfoundland? I suppose there has probably been a considerable increase in the cost of the Department of Transport in reference to the province of Newfoundland?

Mr. BRYCE: Yes, both in the air end and the marine end. Gander is by far and away our largest airport and it gives rise to more expenditures, I suppose, than any two other airports, and incidentally, produces more revenue. It is the gross expenditure here and not the expenditures less revenue that we budget for.

The CHAIRMAN: This too will probably not show much decrease in another year. I see that Uplands Airport is being developed on a very large scale.

Mr. BRYCE: That, sir, is primarily military, not civil. Uplands Airport, I understand, was regarded as reasonably adequate for civil requirements.

Hon. Mr. HUGESSEN: Would it be fair to ask you, Mr. Bryce, what sort of percentage increase in the general civilian estimates over the last two years you would consider applicable to the inclusion of Newfoundland in Confederation?

Mr. BRYCE: It is difficult to answer that, sir, because it varies as between departments. For instance, in the Department of Fisheries there has been quite a considerable increase; I am just guessing, but I should think it would be in the order of one-quarter or one-third. In the Department of Transport, in the operating charges for airports, again there is quite a considerable increase, well over 10 per cent, I should say.

Hon. Mr. HUGESSEN: I was wondering whether you had made any tentative figures upon the entry of Newfoundland, to show what additional annual charge for civilian services would result.

Mr. BRYCE: One year—I have just forgotten what year it was, but immediately after Newfoundland came into Confederation—we did have a special set of supplementary estimates which gave a fair idea of that. I have not a copy with me, but my recollection is that those estimates ran to nearly \$50 million for the year in question. I should not like to suggest that the continuing burden would be as high as that, because of course there were special requirements immediately after the entry of Newfoundland. Some of those non-recurring requirements are still with us. For example, the Department of Transport in setting up navigation aids has to provide certain ships for operating in and around Newfoundland. Even the Customs Department has special items in here for boats for serving many places in Newfoundland which cannot be reached by automobile or train.

Hon. Mr. ISNOR: Mr. Bryce, you mentioned the large increase in the amount spent on cars for the Department of Agriculture over the twelve-year period. I think that one factor which should be taken into consideration when making a comparison is the increase in the number of employees in that department. The table which has been distributed to us this morning—the table of numbers of employees of the government—shows that the employees increased from 3,122, in 1939, to 6,863, in 1951. There naturally would be an increased expenditure for motor cars in those circumstances, and particularly as the department has officers travelling all over the country. One reason why I wanted to have this table of the number of employees before us was that it would serve for the making of comparisons in cases like this.

The CHAIRMAN: Is there any more discussion under item 16? If not, we will pass on to item 17, "Repairs and Upkeep". The increase here is from \$584,000 in 1939 to \$5,056,000 this year. Is there any comment on this?

Hon. Mr. ISNOR: In dealing with item 16, "Acquisition and Construction," Mr. Bryce said it was a question of policy whether equipment should be disposed of after it had been in service for a certain length of time—whether, for instance, cars should be turned in after they have gone 50,000 or 100,000 miles and replaced by new cars, or whether they should be repaired. In other words, the question is whether you cut down your expenses under item 16 and increase them under item 17, or do the opposite.

Hon. Mr. HAIG: Will you tell us what this item of \$5,056,000 for repairs and upkeep consists of?

Mr. BRYCE: That would be for ship repairs in outside yards, sir, and repairs and overhaul of aircraft in the Department of Transport.

The CHAIRMAN: And for repairs and upkeep of agricultural machinery on experimental farms?

Mr. BRYCE: Yes, sir, for repairs and spare parts. It would also include fuel costs for automobile equipment and construction equipment. It covers a very large variety of items. With reference to the point made by Senator Isnor, I might say that it is the government's policy deliberately to allow this item to

increase somewhat in order to avoid capital expenditure on new equipment at this time. That was in the instructions which I got from the Minister of Finance and the Treasury Board when going over the programs of the departments last year. It was recognized that in normal times you replace things at a certain point when your repair and upkeep bills go up; but at a time like this, when the government is trying to keep its total expenditures down and trying to fight inflationary competition with private demands, that it was worth while spending a bit more on repair and upkeep of existing equipment rather than going out to replace it. It is a matter of judgment as to how far you can go along that line.

The CHAIRMAN: The increase this year over the figure for last year is about \$39,000, and that bears out your statement, Mr. Bryce?

Mr. BRYCE: Yes, sir. Of course, a lot of these repairs and upkeep expenses depend on when you have bought things. At certain periods major overhauls of certain equipment will become necessary, so that one cannot be too sure that the figures will balance out each year. And then, too, the cost of repairs, and spare parts has been going up. I should think, sir, that increase is less than the increase in the price of the items that would enter into the repairs and upkeep.

Hon. Mr. HORNER: Mr. Bryce, what is the difference between "Rentals", item 15, and "Rentals", item 18?

Mr. BRYCE: Item 18, sir, is rentals of equipment—for instance, the charter of boats and aircraft.

Hon. Mr. HAIG: Item 15 is rental of buildings.

Mr. BRYCE: Yes. The big part of item 18 is rentals of ships and aircraft.

Hon. Mr. HUGESSEN: By far the largest part of item 17, "Repairs and Upkeep," is in the Department of Transport; it amounts to more than one-third of the total of \$5 million. I suppose that is for repair of ships and airplanes and so on?

Mr. BRYCE: Yes, I think so.

The CHAIRMAN: Here again, Mr. Bryce, is it not so that the great expansion in government services is really the reason for the increase in these items?

Mr. BRYCE: Yes, sir. The expenditure on equipment illustrates that very forcibly. The government is now undertaking many operations of a kind requiring equipment. For example, you cannot carry on ice-breaking operations in the North without buying icebreakers in the first instance and servicing them as you use them. Also, the very large expansion in the government's research activities means much larger expenses on the purchase, repair and upkeep of equipment. I believe it is fair to say that the policy of the government, even up to this year, has been to permit the basic scientific research activities to continue to build up as competent research workers and scientists became available in Canada; it is generally regarded that research is something in which this country had been lagging before the war, and very substantial results are being achieved from the activities sponsored by the National Research Council and others in recent years. It has been deliberate policy supported, I understand, by parliament to develop research activities. That gives rise to substantial expenditures on equipment. I think it is important to realize that the character of the government's activities alter the distribution of emphasis in items of this kind.

Hon. Mr. BARBOUR: I think, Mr. Bryce, that applies particularly to Agriculture. In the last few years a lot of new buildings have been put up for scientific purposes; they have had to be staffed and equipped, all of which leads to more expense.

Mr. BRYCE: Yes; the scientific service of Agriculture is a very good example; it has expanded rapidly since the war.

The CHAIRMAN: The fact is, I think, that prior to the last war research activities in Canada were rather neglected. Since then there seems to have been an almost complete transformation, and we have public men, newspapers and other agencies hammering away at the importance of research. I am not at all certain that we have not gone too far to the other extreme; it is quite possible to reach an expenditure for research that may be rather out of line with our capacity to support it. However, that is just a passing observation.

If there are no further questions on Item 17 we will go on to Item 18. This, Senator Horner, has to do with rentals for equipment. It seems this expenditure was covered up in some other items twelve years ago.

Mr. BRYCE: Yes sir, it was not segregated sufficiently that we could detect it at this time. The big item there is the charter of ships; I think it would possibly be more than half of the total.

Hon. Mr. HAIG: We cannot deal with that, except through the deputy minister.

The CHAIRMAN: Are there any further questions? If not, we will go to Item 19, Municipal and Public Utilities Services, which shows an expenditure twelve years ago of \$924,000, and has now reached \$5,717,000.

Hon. Mr. HAIG: Mr. Bryce, what does that cover?

Mr. BRYCE: It includes provision for all expenditures incurred for the supply of water, electricity, gas, etc., such as water rates, light, power and gas services; taxes and water rates on diplomatic properties, and charges of that nature. It also includes payments to municipalities in lieu of taxes, which were introduced only recently, and I think that is the main reason for the increase over the level of 1949-50.

Hon. Mr. HAIG: There is one item that I do not think has been increased sufficiently. I do not think the municipalities in this country get enough by way of grants from the Dominion parliament to cover what would be ordinary taxes, if the properties were owned by private citizens. Apart from the Parliament Buildings, I think every municipality should get the equivalent of the taxes on government property.

I refer now to any city, except Ottawa, and I make that exception because I do not know what Ottawa gets by way of grants; I have in mind such cities as Montreal, Toronto, Halifax, Vancouver, Calgary, Winnipeg, etc. In my home city of Winnipeg there is a shocking unfairness in the government used buildings, where they get all the services and pay practically nothing for them. How it can be expected that the property owners in that city can carry the load for the police and fire protection—perhaps they should pay for their schools—I do not know. Certainly, the government should at least carry its share of the costs of police and fire protection. I note that it is proposed to introduce some legislation along this line, but I doubt if it will be reasonably fair. I do not see how we can do anything about this item.

The CHAIRMAN: If that principle were adopted, and the federal and provincial governments paid the municipal taxes according to the ordinary scale of taxation—which I understand is Senator Haig's suggestion?

Hon. Mr. HAIG: That is what I want.

The CHAIRMAN: —it undoubtedly would have a tremendous affect on municipal revenue in the larger cities.

Hon. Mr. HAYDEN: It might reduce taxes.

The CHAIRMAN: Unless a change were accompanied by a corresponding reduction in ordinary municipal taxes, the taxpayer would not be very far ahead.

Hon. Mr. HAIG: It would change the basis of municipal taxation. At the present moment real property, to a large extent, pays the municipal costs, and

the people who do not own real property pay practically nothing. Where rent control is in force, they do not pay anything even in their rent cost; the real estate owner pays the shot. This is one field in which the government could cure the problem.

I admit what you said, Mr. Chairman, that our municipalities, our provincial and Dominion governments, irrespective of politics, have for the last six years been on a spending spree. Probably I am as much to blame for that situation as anybody, but there is no justification for the Dominion or provincial governments being, as it were, in business, and not paying their proper share of the taxes. If a change were made, it might result in all Canadian taxpayers paying larger amounts, but surely that is only fair. I never could understand why real estate had to carry almost the entire cost. The one attack that this government has made—and I say it politically—is the attack since the war on real estate owners; now it is in the hands of the provinces, and the Dominion government are out of it. It is an outrageous thing, and this is the place where something should be said against the policy, and I am saying it.

The CHAIRMAN: I am bound to agree in a large measure with Senator Haig. Whatever the explanation may be for it, the records unquestionably show that municipalities, provincial and federal governments have been spending freely. That may be the result of pressure from communities, individuals and organizations for the spending of more money, but until the public becomes conscious of the fact that these services have to be paid for by digging down in their pockets, I do not know that we are going to find much cure for the situation. I would hope that this inquiry would throw some light on the problem.

Hon. Mr. ISNOR: I think already some steps have been taken in that direction, Mr. Chairman. If I recall correctly there was a vote of something like \$2 million, to take care of rents in lieu of taxes. They used a very definite yardstick. When any municipality was able to show the adjuster or appraiser—the name, if I remember, was Mr. Lobley—that 5 per cent of their property was presently exempt and used by governments, the Federal Government could make a grant.

Hon. Mr. HAIG: Why 5 per cent?

Hon. Mr. ISNOR: I don't know. I am just telling you.

Hon. Mr. HAIG: That means that Halifax gets no money out of this government at all. The only people who get anything are Ottawa.

Hon. Mr. ISNOR: I am not sure that 5 per cent is the correct figure.

Hon. Mr. HAIG: You are about right. That is about the figure.

Hon. Mr. ISNOR: We do not get enough at Halifax; I will admit that.

Hon. Mr. BOUFFARD: The city of Quebec is in a similar position. We have a deficit of \$1,600,000, with \$14,000,000 of federal property paying no taxes.

Hon. Mr. HAIG: However, we cannot do anything about it here.

Hon. Mr. HAYDEN: Except call attention to it.

The CHAIRMAN: Are there any further questions on Number 19?

Hon. Mr. HORNER: I would just like to make this observation, after hearing the complaints of Senator Haig and property owners; we only have to look around us at this trend to realize that the more socialism we have the more taxes we shall have on real property, because the main idea is to take money away from wealthy people in taxes. That will be the trend so long as we go along this road.

The CHAIRMAN: Any further discussion on Number 19? . . . The next item we have is "Grants, Subsidies, etc. not included elsewhere". This is a sort of a blanket item, is it?

Mr. BRYCE: Yes, sir. This covers a very wide variety of payments—everything from freight assistance on feed grains to the payments to the Boy Scouts.

Hon. Mr. HAIG: Why is it down from last year? Where did the reductions take place?

Mr. BRYCE: If one looks at the items where that has taken place, it will be seen that a fair amount of it is in Agriculture. It is in part due to the fact that in the main estimates we normally only provide the feed grain assistance until the end of the crop year, and then the government decides on the policy it will follow in the new crop year, and makes provision in the supplementary estimates for any additional amounts that are required. That is one reason for the decline; and of course whether there will be that decline depends on what the government decides in regard to policy. There are other reductions in subsidies in Agriculture for which one would have to look at the details to find exactly where they are. In Finance there is a very large reduction, due principally to the fact that last year's figures included the big payments for the Red River flood; and of course we are not anticipating a recurrence of that.

Hon. Mr. HAIG: That won't happen again for another hundred and twenty-five years.

The CHAIRMAN: We hope so.

Hon. Mr. HAIG: Well, it happened a hundred and twenty-five years ago. You say, Agriculture: does that include that measly little gift that the rest of Canada gave the West, of \$65,000,000?

Mr. BRYCE: That \$65,000,000 for wheat would not be included, because this was made up and presented to the house before the final supplementary estimates of last year.

Hon. Mr. HAIG: That \$105,000,000 last year did not include the \$65,000,000?

Mr. BRYCE: No, sir.

Hon. Mr. HAIG: Because I was looking for \$48,000,000 more.

Hon. Mr. BUCHANAN: You mentioned subsidies not included elsewhere. What subsidies are included elsewhere?

Mr. BRYCE: It is also grants, and grants to municipalities are in the preceding column. Let us see what any of the others might include.

Hon. Mr. HUGESSEN: Subsidies to provinces?

Mr. BRYCE: Subsidies to provinces are in a special category, sir. Number 24 is "Subsidies and Special Payments to the Provinces."

Hon. Mr. HUGESSEN: Health grants?

Mr. BRYCE: Health grants are in Category 30.

Hon. Mr. BOUFFARD: I wonder if we could have a list of the subsidies that are given. Would that involve a great deal of work?

Mr. BRYCE: Would you distinguish between a subsidy to industry and a grant to an organization such as—let us say, for example—the Boy Scouts, or the Victorian Order of Nurses?

Hon. Mr. BOUFFARD: I would not mind at all if you struck out companies, and subsidies that are fixed by statute, but other subsidies that are not fixed by law, that are not statutory, would it mean a great deal of work to have a list of those?

Hon. Mr. HAIG: I would not think you would need the Boy Scouts and bodies of that kind.

Hon. Mr. BOUFFARD: Why not? If we have particulars of Boy Scouts and other subsidies we could see what is given, and what organizations are not given grants.

The CHAIRMAN: I draw to the attention of the committee that there is in the explanatory notes at the back of the page giving these details a very full explanation of item '20. It indicates that this item:

Includes provision for Canadian participation in International and Commonwealth Organizations; contributions of Canada's proportionate share of the cost of International Organizations; payments of grants to organizations such as the Boy Scouts Association, the Girl Guides, Agricultural Organizations, Health and Welfare Organizations and other payments of that nature; Subsidies such as Assistance to encourage the improvement of cheese and cheese factories; Contributions under Agreements with the Provinces for Vocational Training; payments made under the Maritime Freight Rates Act, memberships, scholarships, etc. Does not include Grants to Municipalities in lieu of taxes, Subsidies and Special Payments to Provinces, Government's Contribution to the Unemployment Insurance Fund, General Health Grants, Trans-Canada Highway Contributions, Deficits—Government-Owned Enterprises.

That gives, I think, a pretty clear explanation of the details of this item.

Hon. Mr. BUCHANAN: Would it not be better to include everything under this item, instead of excluding some?

Mr. BRYCE: Well, we have put some elsewhere, really, to give full information on the big items like the health grants.

Hon. Mr. BUCHANAN: I was thinking of getting a proper picture of the actual amount. Would it not be better to have them all under the one heading?

The CHAIRMAN: That information can easily be arrived at, I think, by taking these items and putting them together.

Hon. Mr. BUCHANAN: We do not want to go to the trouble of putting them together. I would like to have them put in one place.

The CHAIRMAN: There may be something in that.

Mr. BRYCE: We could prepare a total, sir, that would include these items that are excluded here. If you would like a list of the various subsidies we could get that ready. It would take a little time but it should not be an impossible job.

The CHAIRMAN: It might be worthwhile having.

Hon. Mr. HAIG: If Senator Bouffard wants it I see no objection to having it.

Hon. Mr. BOUFFARD: If it could be done within the next ten or fifteen days and placed at our disposal I think that it would be worthwhile.

Mr. BRYCE: If it would be satisfactory we should like to cover the subventions on the movement of coal by a line or two, and not try to list every recipient.

Hon. Mr. HAIG: I do not think Senator Bouffard wants every last five-cent piece accounted for. I believe that if he gets these figures in thousand dollar items he would be satisfied. We do not want you to certify this as the exact sum that has been spent.

Hon. Mr. BOUFFARD: That is right.

Mr. BRYCE: We shall make up a summary table and bring it forward, and if you desire more details we can provide it for you.

The CHAIRMAN: Well, I think that with that understanding we can pass on to Item 21, Pensions, Superannuation and Other Benefits. This is \$12 million for this year, and a comparison is made with the position of the two previous years and twelve years ago.

Mr. BRYCE: Perhaps I might be allowed to point out that this does not include the large payment made at the end of the last fiscal year to begin making good the deficiency in the balance sheet estimate of the liability under the Superannuation Act.

The CHAIRMAN: Quite right. That amount was \$75 million, I believe.

Mr. BRYCE: Yes.

The CHAIRMAN: Just in passing may I say that that payment of \$75 million was to go part way towards bringing the Pension Fund into a position of solvency.

Mr. BRYCE: Well, it is not really a question of solvency but one of book-keeping. We show on our balance sheet—the Dominion of Canada is one of the few governments which publishes a balance sheet—the liabilities of an actuarial nature—annuities, pensions and similar things. The liability shown under the Superannuation Act has been shown at too little. In order to value it properly we have got to ask parliament to appropriate additional moneys so that we may increase that liability as shown in our balance sheet. That, of course, does not involve a cash payment. It is only an effort to keep our books more accurately. As the Minister explained at the time, the evaluation made away back in the early 1930's showed that even at that time the liability was shown at too little on our balance sheet. The same has continued ever since and it is now shown at too small a figure. Because, however, the Civil Service has been growing and because of the age distribution, that does not reflect itself in the actual payments from day to day because the fund keeps building up. But it would reflect itself some day, and since we show on our balance sheet an evaluation of the future obligations that we have incurred, the Minister of Finance felt that he should show a more accurate evaluation. He has received a report from the actuaries valuing it as of the end of 1947. As he explained in the House of Commons, this was a first request of parliament for an appropriation to enable that amount shown on our balance sheet to be increased toward what is a proper figure. As he said at that time, it will be necessary to ask for a further appropriation if we are going to bring our figures into an accurate representation of the future liabilities.

The CHAIRMAN: Speaking only for myself I think that is a very admirable thing to do. It gives a clearer picture to the public and to members of parliament as to what our liabilities are under this Pension Fund. Therefore, in the interests of accuracy, it is very desirable. Might I ask another question on that point, Mr. Bryce? The annuities fund—

Hon. Mr. ISNOR: Are you going to leave this item because I want to ask something about the amount of \$75 million.

The CHAIRMAN: I was going to ask Mr. Bryce this question. The Annuities Fund is administered by the Department of Labour?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: We had evidence before us a year ago that the contributions by people who bought annuities were not sufficient to meet the obligations of the fund as these annuities fell due. Consequently, the government had to support the fund out of the annuities paid. Can you say if any contribution has been made this year to that?

Mr. BRYCE: I am sorry, sir, but I cannot speak too accurately on that. My recollection is that the Act authorizes or may even require the government to make good any deficiency in the Annuity Fund at the end of each year when it is valued by the actuaries. I believe that normally an amount is paid into the fund at the end of the fiscal year. Whether the payment relating to the end of the last fiscal year has yet been made, in fact, and dated March 31st, I could not tell you, sir. The Public Accounts normally reveal the amount. As a matter of fact, they must reveal the amount and the basis on which it is made. There is there a more current maintenance of the actuarial value than in the case of the Superannuation Act, as of course would be appropriate because, first of all, it is much easier to value the Annuities Fund. A Pension Fund presents very difficult evaluation problems.

The CHAIRMAN: Quite right.

Mr. BRYCE: At least one such as ours does. The Annuities Fund is easier to evaluate, and secondly it is a contractual obligation incurred to third parties and I imagine parliament and the government felt there should be a very current reflection of its value on books.

The CHAIRMAN: That is a point I think is rather important. When the Government Annuities Plan was inaugurated a great many years ago it was on the assumption that the payments into the fund by individuals purchasing annuities would be upon an actuarial basis which would make the fund self-supporting; so that when these annuities become payable the fund would be in a wholly solvent position to meet them. That has not happened.

Hon. Mr. HAIG: There is a reason for that. The situation has changed because the rate of interest has gone up. I am not defending the thing but there was a further assumption that the current rate of interest would be of such a nature that what they were giving for annuities would be reasonable. Up to last year that was true. It was going in that direction but right now, Mr. Chairman, it is going the other way.

Hon. Mr. REID: I am one of those who believe that the time has come when the annuities should be wound up. The annuities were started at a time when we had not the welfare state that we have now, and old age pensions were not being paid and when we encouraged people with small incomes to lay aside money for their old age. I think this committee would do well to bring in a recommendation that the time has come to review the principle of the Annuities Act, and consider whether it should not be discontinued in the light of the welfare state. We are now going to pay people a pension at seventy. Some people will get a bonus, for you cannot say that this money which will be paid to people who are well off is a pension. So some people, including senators and members of parliament, will be getting a bonus; let us be frank about that. And people at sixty-five who need a pension will be paid one. Furthermore, thousands of industrial and other firms throughout Canada have pension or superannuation plans for their employees. The employees are paying into these funds, and that is one reason why it is difficult to get taken on in a plant nowadays if you are over forty-five, for they say the taking on of a new employee over that age upsets the superannuation scheme. In my opinion, therefore, there is no longer any need for the Government annuities plan, and I would wind it up. I would, of course, carry out the existing contracts, but we do not need to continue encouraging people to provide for their old age in this way. I would like the Senate to recommend that the Annuities Act be repealed.

Hon. Mr. HUGESSEN: Is there not a further argument in support of what Senator Reid has said in the fact that at the time when the Annuities Act was first passed the ordinary Life Insurance Companies were not issuing annuities, whereas now they are and their rates are about the same as those charged by the government?

Hon. Mr. REID: That is so. We should not be in the business at all.

The CHAIRMAN: I think that when the Annuities Act was introduced it was based on an expectation that the fund would earn interest of about 5 per cent, which was the rate then on high grade government bonds. As the years have passed the earning power of money has declined, and I think it is fair to say that adjustments were not made to meet that situation. Mr. Bryce draws my attention to the fact that it is expected the government will require to kick in \$1½ million in the current year to keep this fund solvent.

Mr. BRYCE: That is for the year just closed, sir.

The CHAIRMAN: I do not see any sense in a system whereby an individual who can afford to do so pays in a certain amount to the government over a period of years for the purchase of an annuity, and then when he reaches the age at which the annuity becomes payable to him the taxpayers have to contribute to the fund out of which those payments to him are made.

Hon. Mr. HORNER: I am inclined to agree with Senator Reid. Not only is the government losing money on annuities, but it is paying huge commissions to agents who sell them. There was a report that a man in Winnipeg made \$14,000 commission on the sale of annuities. The government is taking a loss on annuities and paying a commission to people who sell them. That is a kind of high finance which I cannot understand.

Hon. Mr. BOUFFARD: Is it not so, Mr. Bryce, that the government sells annuities cheaper than insurance companies do?

Mr. BRYCE: I think it is probably correct to say that government annuities are based on an interest rate which is higher than most insurance companies use. But I am not certain about the mortality tables, and a lot depends on them. I think, sir, it would be better to ask for a comparison from those responsible for the annuities scheme.

Hon. Mr. VIEN: Would the mortality tables differ from those used by the insurance companies? You could not very easily compare life insurance with annuities?

Mr. BRYCE: No, sir, but in deciding what is an appropriate premium it is of course necessary to assume certain tables of mortality. The mortality has been changing in recent years and it is a question whether the tables used are up to date. I believe the present tables are reasonably up to date. And of course in selling annuities the normal practice is to make some adjustment of the tables. That is, you take an age that is one or two years higher than the actual age, or something like that.

Hon. Mr. VIEN: My point is that the mortality tables used for this scheme and by insurance companies might be the same, might they not?

Mr. BRYCE: As I understand it, one of a number of standard tables is used. But there is some choice, and there is also some discretion as to adjustment to tables that were made up to date some years ago.

Hon. Mr. BOUFFARD: There is a deficit of about \$1½ million in the fund?

Mr. BRYCE: In recent years, yes, sir.

Hon. Mr. HAIG: Last year Mr. MacNamara, the Deputy Minister of Labour—the department which administers the Annuities Act—was called before this Committee and thoroughly examined. I am not here to defend annuities but I do want to see this matter discussed in proper perspective. If the Committee wishes to follow Senator Reid's suggestion, the only thing to do is to call Mr. MacNamara and get the facts from him. As I remember it, he pointed out to us that they calculated a certain rate of interest on the money collected, and for a considerable period of years while annuities were being sold the rate of interest on government bonds was about 5 per cent. I know that I bought some Dominion Government Bonds that yielded me more than 5 per cent.

Hon. Mr. HUGESSEN: Free of income tax.

Hon. Mr. HAIG: Yes. Of course, the income tax did not amount to much in those days. But in recent years the government has kept the rate of interest down—do not misunderstand me—and it would still be down if the government were willing to buy its bonds today at par. It will no longer do that, and so today you can buy Dominion Government 3 per cent bonds at a price that will yield more than 3 per cent. A year or so ago the province of Ontario was selling bonds on which the rate was less than 3 per cent, but for its latest issue it had to raise the rate to 3½ per cent and the bonds were offered at \$99.50. Mr. MacNamara told us that three or four years ago, when the new rates for annuities were set, the department tried to figure the thing out in a way that would be most favourable to it as against the annuity buyer. As we say in the

wheat business, it took the break of the beam, so that the government would not lose any money even when interest rates were low, and would only have to stand the cost of administering the scheme. Of course, with these new rates of interest the department should make some money, and I do not think the interest rates will go back to the old level for many years.

I think that we had better be very careful before we recommend doing away with annuities. I say candidly that I am in favour of them. Many people think it is wise to invest in annuities, and all the money that was put aside for this purpose is taken out of circulation on the market. I know many men who began to purchase annuities for their children years ago. They are still paying premiums on those annuities, and that money is taken out of circulation. If I may I shall give a personal illustration. I am paying \$375 a year to the Annuities Branch for annuities on five of my children. If I did not do that, I presume I would give the money to the children, but by this means it is taken out of circulation. In about thirty years time, when the youngest child gets the annuity, the dollar may be worth fifty cents, but at the moment, as I say, it takes the money out of circulation.

Senator Horner mentioned what happened about fifteen years ago, but the government has revised its rates so that no agent can earn over a certain amount. The man that brought about that change is now one of the heads of the Great West Life Insurance Company in Ontario. They realized what a good man he was, and grabbed him up.

I still think that annuities at present rates can be made pay, with the rate of interest going up the way it is; secondly, for the next twenty-five or thirty years the money will be taken out of circulation and, in my case, when I die my children will each have to take over his own annuity. I know that the life insurance companies sell annuities, but I do not think they object very strenuously to the government also selling them. The companies like to sell life insurance; that is their business.

Hon. Mr. REID: They did object until the rate was changed and brought more into line with theirs.

Hon. Mr. HAIG: I agree with that. If we really intend to make a recommendation on this subject we ought to ask Mr. MacNamara to come before us; he is an able man, and he can give us an idea of the type of report we should make. I am not urging that it be done, but if we intend to recommend anything about annuities we ought to hear Mr. MacNamara.

Hon. Mr. REID: This department exemplifies the fact that things may be started by the government, but once they are started they are difficult to stop. It might surprise Senator Haig to know how many people of 65 and 70 years of age have put all their money into annuities. I speak particularly of the Province of British Columbia, where I know of one man and his wife who said they are going to get \$100 a month from the government, without putting up a red cent; while another man and his wife had to put up \$30,000 to get the same amount. In the welfare state we are going to get gifts and bonuses without any contribution. I think we would be making a good move, if we brought Mr. MacNamara here to review this annuities question. There is the amount of \$1½ million, and it will go up.

Hon. Mr. HAIG: I agree with the last statement of my friend, but not the first.

Hon. Mr. HORNER: I disagree with Senator Haig. Since when is it a laudable proposition to take money out of circulation? This country has suffered more from lack of money than from too much.

The CHAIRMAN: We must maintain order in the family.

Hon. Mr. ISNOR: Mr. Chairman, I should like to ask if the \$1½ million which was paid into the fund last year to make up the deficit, was in addition to the \$805,000 which it cost to administer the Annuities Branch?

Mr. BRYCE: Yes, it was.

Hon. Mr. REID: I do not know whether I can get any support from the committee, but I would move that we have Mr. MacNamara brought before us.

The CHAIRMAN: I was going to say, in regard to Senator Haig's suggestion, that it might be well to leave that and see how we get along. We have only a few weeks in which to work, and if we get to the point where we have a few special things that we want to look into we could perhaps then have Mr. MacNamara come before us.

Hon. Mr. GOLDING: Did we have him here last year?

Hon. Mr. HAIG: Yes.

Hon. Mr. REID: I submitted the same statement, and I asked him to contradict it or substantiate it.

The CHAIRMAN: The only point that is to be added before we pass on is that the cost of administration is outside this item altogether; it shows up in Civil Service Salaries, Pensions and the like.

Hon. Mr. REID: I should like to ask Mr. Bryce about superannuation, on a point that intrigues me. Has any research ever been made to see whether those who are earning \$5,000 a year and upwards are not receiving more from the Treasury by way of superannuation than those from \$5,000 down? I have often wondered whether it was wise to have superannuation for a man being paid \$10,000 a year and the country paying half of it. I know if I were earning \$10,000 a year I would not need superannuation. But perhaps I was brought up in a country where I learned thrift. Here we are paying 50 per cent of the superannuation, and I wonder if it should not be limited to a certain salary.

Mr. BRYCE: There is a limit at \$15,000, sir; parliament put that limitation into the Act. That of course is a question of policy, and gets into rather a delicate matter. I would suggest this for your consideration: I believe it is the general impression that senior officers in the public service are frequently able to earn more in other employment, but one of the things that retains them in the public service is the pension they get. Secondly it is of considerable advantage when they in fact get to the age where they ought to retire, that they are prepared to retire. I know from experience that when senior civil servants get to the pension age and have not got a pension to retire on, it often presents an awkward administrative problem. However tough one wants to be, it is rather difficult to overlook this matter.

The CHAIRMAN: We come now to Item 22: "All Other Expenditures (other than Special Categories)." Are there any questions on that item?

Mr. BRYCE: This is just a residual figure, and it is very difficult to say anything about it.

The CHAIRMAN: A sort of a basket item.

Mr. BRYCE: This is a collection of those items that we could not classify anywhere else.

The CHAIRMAN: I do not think we need spend any time on that. Then we turn over the page and take the Special Categories.

Hon. Mr. GOLDING: I wonder if, before you leave that page, we could return for a moment to Number 1, Civil Salaries and Wages. This shows quite a step-up each year. We know that there has been a tremendous step-up in the business of the nation, but have you ever made any comparison, for instance, with some private company, as to how salaries and wages of such a company have stepped up as a result of their recent business? Have you ever tried to make such a comparison?

Mr. BRYCE: We have made comparisons, sir, in regard to the rates of pay for those classes of employees for whom it is possible to get a reasonably clear comparison. We have not for the total amounts concerned, because it depends, of course, whether the business is expanding and at what rate it is expanding.

Hon. Mr. GOLDING: And the nature of the business, too.

Mr. BRYCE: Yes.

Hon. Mr. GOLDING: But what I was thinking about was if you could get some kind of comparison with an ordinary business which has stepped up five or six times and has also increased its salaries and wages. Have you ever tried to make a comparison between government employees in that respect, and employees of private companies?

Hon. Mr. HORNER: Mr. Bryce made that yesterday. Perhaps you were not here. He explained that the increased expenditure was due entirely to an increase in wages.

Hon. Mr. GOLDING: I was here, but I don't think we asked if he had ever made a comparison with some private company whose business has increased.

The CHAIRMAN: I think in the main it is due to the very great expansion of services, which apparently is still going on, necessitating more servants, and in the second place, to recognition of an increasing cost of living, by bonuses or increases of salary.

Hon. Mr. GOLDING: I know. Well, a private company is up against all these things. I was wondering if Mr. Bryce had made any comparison as to whether conditions are on the same basis in the government and in a private company where the business has increased five or six times.

Mr. BRYCE: Perhaps one of the most comprehensive comparisons of that nature can be made quite readily by taking the figure for the total salaries, wages and supplementary labour income for the nation as a whole, which is compiled now by the Bureau of Statistics. If you look at page 36 of the Budget, it shows that in 1939 there was a total of \$2,583 million. In 1950 the over-all is estimated at \$8,300 million. So that you have there an increase of three and a fraction times. I mean that the recent figure, the 1950 figure, is between three and four times what the pre-war figure was. The comparable year here would be 1950-51, and the increase in the government's payroll would be a little short of four times. So that the total payroll of the government has not increased much more rapidly than the total payroll of the nation.

Hon. Mr. GOLDING: That is just what I was trying to get at.

Hon. Mr. ISNOR: Except that there would be a very important factor there. Our production capacity has increased to a very very marked extent from a trading standpoint, and that is a factor in so far as the country's growth is concerned. But can you say the same applies to the government, or is it just a matter of the employees?

Mr. BRYCE: In terms of productivity?

Hon. Mr. ISNOR: Yes: You are only dealing from the angle of employees, I think.

Mr. BRYCE: It is very difficult to say how the productivity of public service compares.

Hon. Mr. ISNOR: Yes. I do not think that the comparison you made there is very sound.

Hon. Mr. VIEN: In other words, there is no necessity that a constant relativity should exist as between the payroll of the government and the payroll of the nation, because the business of the nation multiplies and increases very rapidly, and you have left to managerial discretion curbs here and there to be applied as required; whereas in the government there is a totally different story.

As a matter of fact, I wondered if we shall have to come back to that in the course of our investigation, Mr. Chairman. I don't know if we shall have the occasion to discuss with any proper officials of the government the question of the number of branches and the number of divisions and the number of directors of branches in each particular department, and the expediency or opportunity of contracting this expansion, of combining two or three branches together. I would not suggest that that be done by throwing out of employment the present incumbents, but I would suggest that it might be possible to foresee a better co-ordination of the Civil Service in every department, combining branches and appointing one director instead of two or three, and sub-directors or assistant directors, and executive assistants, in each branch, so as to reduce the cost of the Civil Service without hardship on the present incumbents. When a post is abolished, the service of the incumbent might be continued until he comes to superannuation age, and so on. I believe we have a case in point in Montreal. For instance, when the government initiated, about a year ago, its policy of reducing the Civil Service and reducing expenditures in that connection, the axe fell on the heads of three or four, or five or six men, or perhaps a few more in the category of non-permanent employees, and most of them paid by the day. I had the case of a man who had been employed in the Department of Public Works as a cleaner in various public offices. He was sixty-eight years of age. He had been there for thirty years. Of course the superannuation limit is sixty-five. In his case there was no superannuation, because he was not a permanent employee. So he was thrown upon the community as a public charge two years before he could claim his old age pension for himself and his wife. Therefore I say we have saved very little by discharging five or six day labourers. But we could save millions of dollars, probably, through a better co-ordination of our set-up in various branches of departments, co-ordinating and contracting the set-up so as to call upon one director to do the job of two or three. These men could be continued in office. We should have a well-studied, well-thought-out program to be applied in the course of five or six years. In the Senate, those who drop out by death or resignation represent almost 10 per cent. I understand that in the Civil Service about 5 to 7 per cent every year drop out on account of arrival at superannuation age. If this plan were applied it would show a great deal of difference over a period of ten years. I was wondering if we are going to study this point at any given time?

The CHAIRMAN: That is a very interesting point. I hope that before our hearings are concluded we shall have some evidence before us as to the actual increase in the production of goods and services year by year. We must not deceive ourselves that inflation has tremendously disguised this whole picture. We hope to have this.

Hon. Mr. HAIG: I move that we adjourn before we start the next item.

The committee adjourned until tomorrow. Thursday, May 24, at 11.30 a.m.

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THE SENATE OF CANADA

Government
Publications



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 5

THURSDAY, MAY 24, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., *Chairman*

The Honourable Senators

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Campbell	Hayden	McIntyre	Turgeon
Crerar	Horner	McKeen	Vaillancourt
Davies	Howard	McLean	Vien
DuTremblay	Howden	Moraud	Veniot
Euler	Hugessen	Paterson	Wilson

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday,
March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 24, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.30 a.m.

Present: The Honourable Senators: Crerar, Chairman; Barbour, Beaubien, Buchanan, Farquhar, Golding, Haig, Horner, Hugessen, Isnor, McLean, Petten, Reid, Taylor, Turgeon, Vien and Wilson—17.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14 1951, was resumed.

Mr. R. B. Bryce, Assistant Deputy Minister, Treasury Board Division, Department of Finance, was again heard.

At 1.00 p.m. the Committee adjourned until Tuesday, May 29, 1951, at 10.30 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, May 24, 1951.

The Standing Committee on Finance, which was authorized to examine Estimates laid before Parliament for the fiscal year ending March 31, 1952, met this day at 11.30 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: Honourable senators, will you please come to order.

Hon. Mr. REID: Before we proceed with the further consideration of the Estimates I should like to make a comment. Yesterday morning I made some criticism and asked certain questions regarding the Dominion Bureau of Statistics. In substantiation of some of my remarks I should like to draw to the attention of the committee some of the questions which are being asked by the census takers. I would just ask the members of the committee if they think that these questions are sensible. Question 20 is: "What did you do mostly during the week ending June 2, 1951" I do not think there is anything more ridiculous than a question like that being asked on a census. Another question is: "Did you do any work for pay or profit?" Another question: "How many hours did you work?"

I should like to point out to the members of the committee that before Easter no member of parliament, including the House of Commons and the Senate, was able to get a copy of the questionnaire that was going out to the census takers, and yet when I reached home I received from the Royal Bank of Canada a facsimile of all the questions that would be asked and all the information pertaining to the census. This information was denied the members of the House of Commons and the Senate. I think it is high time we took some note about the controls the Dominion Bureau of Statistics as to the questions, reviews and surveys they carry out. I expect to have in my possession at our next meeting the questions being asked now by a census taker who is visiting my neighbourhood for the third time and who claims he is coming back a fourth time. I believe I possess average intelligence, and to my way of thinking these questions are quite silly.

Hon. Mr. HUGESSEN: This rather interests me because I happened to be in England last month. They were in the process of taking a census in that country, and there was a great deal of criticism about the questions that were being asked. They were asking more questions than our census takers are. One question gave rise to a great deal of criticism, and that was "Do you share the kitchen sink?" We are at least not asking that much.

Hon. Mr. REID: No, but if we do not put a stop to it I am afraid we shall.

The CHAIRMAN: I take it, Senator Reid, that you are bringing this matter to our notice as an example of an unnecessary expenditure?

Hon. Mr. REID: I am.

The CHAIRMAN: Good. It stands on the record. We shall turn now to Item 23. Before we proceed with this section, however, Mr. Bryce has some information in regard to a question asked by Senator Haig yesterday or the day before. You do not wish this put on the record, do you Senator Haig?

Hon. Mr. HAIG: No, it can be handed to me. That is all I want.

Mr. BRYCE: I have here the list of the premises leased by the Department of Public Works in the City of Winnipeg, giving the area in square feet and the rent per annum and the rate in square feet per annum.

Hon. Mr. HAIG: Thank you very much. I do not want it put on the record.

The CHAIRMAN: We shall now take up the consideration of Item 23. "Interest on Public Debt and other Debt Charges". There has been an increase over the twelve years from \$132 million to \$437 million, and the latter is an increase of about \$4½ million over that of 1950-51. What is included, Mr. Bryce, under "Other Debt Charges"?

Mr. BRYCE: This includes costs of issuing new loans, annual amortization of bond discount, premiums and commissions, and other costs of servicing the public debt.

The CHAIRMAN: Are there any further questions?

Hon. Mr. REID: I should like to ask Mr. Bryce a question. I take it there is an increase predicted for 1951-52. I understood that the policy of the government was to take as much as possible by taxation for the increased expenditures, and that some of our debt was reduced last year. If this is so, how is it that there is a predicted increase in the interest rate?

Mr. BRYCE: Senator, if you will note in the volume of estimates on page 17, the increase in interest is not on the funded debt outstanding, but it is on other liabilities which include the annuities fund, pension funds and various trust funds and things of that sort that keep gradually accumulating so that the increase there is not of the character associated with normal borrowing operations, but rather with the increase of these trust funds. In addition, on the other side of our balance sheet, various assets of the government are going up. These normally do not yield as much interest as the interest that is paid here on the build-up of things like pension funds, trust funds, and annuities funds.

The CHAIRMAN: Is there any further question? We shall pass on to Item 24 "Subsidies and Special Payments to the Provinces". In 1938-39 the figure was \$21 million, and it has increased to \$115 million.

Hon. Mr. HAIG: That is covered under these agreements.

The CHAIRMAN: I presume that is due almost fully to the interprovincial agreements?

Mr. BRYCE: Yes. It not only includes the statutory subsidies under the British North America Act, but the payments under the tax-rentals agreements as well.

The CHAIRMAN: Anything further on that?

Some Hon. SENATORS: Carried.

The CHAIRMAN: The next is item 25 "Family Allowance Payments".

Hon. Mr. REID: I should like to ask whether any survey has been made recently as to where the payments of family allowances are going? Everyone here knows the object of family allowances, but I ask my question in view of the situation that is arising in British Columbia and perhaps in other provinces as well. Many of our school boards are becoming alarmed about the rise in truancy amongst boys and, in some cases, amongst girls. I refer to the age group of fifteen to eighteen. I know that when I travel along in my car I can see these children by the two's and three's hitch hiking on the highways. They are not at school and they are not at work. The question is being raised about this floating population of boys and girls who should be at school. When the question was discussed a short time ago a school trustee said that these young people were reluctant to stay at school because they lacked money to spend. Now I

have observed at a new high school a group of boys—and sometimes girls too—smoking cigarettes and eating candies. It has been estimated that it costs about \$1 a day to keep these youths at school. Today young people are kept at school, whether or not they have any ability to do well in their studies, at an age when they could be doing useful work outside. One man told me that the family allowances do not begin to pay for what his children require by way of extras, such as cigarettes, pop and candies. Apparently there is a growing tendency to spend money in this way, and I am wondering if it would not be well to have a survey of the uses to which family allowances are being put. Of course, I am not suggesting that all the money received by people for family allowances is wasted. A great deal of it is wisely spent in providing better clothing and food for children. My point is that it is a common experience to see high school students spending money on cigarettes, candies and soft drinks. Any dentist will tell you that these soft drinks are injurious, yet there is no doubt that a lot of money received for family allowances is being spent on these things. I bring up this matter because I wonder whether there is anything to the contention that increased truancy is caused to some degree by lack of money for children to spend.

Hon. Mr. BARBOUR: I understand that the family allowances are paid to the mother and not to the children.

Hon. Mr. REID: That is right.

Hon. Mr. BARBOUR: The mother should be able to control the expenditure.

Hon. Mr. REID: No doubt many mothers do, but certainly it is not possible for all of them to exercise control over what their children spend.

Hon. Mr. GOLDING: If a child does not attend school the family allowance with respect to him is liable to be cut off.

Hon. Mr. BARBOUR: It is cut off.

Hon. Mr. GOLDING: That is my understanding.

Hon. Mr. REID: I wonder just how strict the department is in seeing to it that the allowance is cut off in such cases.

Hon. Mr. BARBOUR: It is pretty strict.

Mr. BRYCE: I do not know if I am expected to reply to Senator Reid.

Hon. Mr. REID: No. I am just making a suggestion for officers of the Treasury Board.

The CHAIRMAN: Senator Reid has drawn this matter to our attention and his comments are on the record.

Hon. Mr. HORNER: I agree with Senator Reid that a lot of money is spent by young people on cigarettes and soft drinks, and on beer too. It is all very well to say that the family allowance is paid to the mother, but in most cases a child going to high school will get the money himself. And, as Senator Reid says, under our present system children are kept at school, whether they show any special aptitude for school or not, when many of them could do better by being at work.

The CHAIRMAN: Are there any other questions on this item? If not, we shall go to item 26, "Old Age Pensions, including Pensions to the Blind". The increase under this item over the twelve years is from \$30,541,000 to \$111,350,000.

Hon. Mr. HAIG: Mr. Chairman, I would suggest that we look carefully at this figure of \$111 million, because we shall never see such a low figure for Old Age Pensions again. This estimate should be placed in a museum, where people in years to come will look at it and say "What old duffers those senators and members of the House of Commons were in 1951 to regard \$111 million as a large sum for Old Age Pensions." Before long the age at which people will become eligible for Old Age Pension without a means test will be reduced to

sixty-five, and later on to sixty, and in the not distant future the total payments for pensions will amount to a billion.

Hon. Mr. REID: In future this item should be placed under a new heading, "Old Age Pensions and Bonuses to those who are well off".

Hon. Mr. HAIG: The pensions next year will cost the country \$400 million, but that will look small in time, when the total bill runs to a couple of billions.

Hon. Mr. REID: I remember the Honourable Mr. Dunning holding up his hands in holy horror in the House of Commons at the prospect of an expenditure of \$75 million and asking how we could ever raise that amount. He was so excited at the idea that he simply shook.

The CHAIRMAN: There will be some compensation for you, Senator Haig, in that you yourself will be receiving an old age pension.

Hon. Mr. HAIG: But I shall have to pay income tax on it. In my youth I did not think there would be any old age pension for me. I thought I would have to save money to take care of myself when I became old. I never expected to be a senator or to hold any other public office, so I planned to put by a few dollars to help me out later on. Unfortunately I still have those dollars and they now give me an income on which I have to pay a tax, so the \$480 that the country will pay me as a pension will not help me very much.

The CHAIRMAN: Those ideas about saving are a bit old fashioned now.

Hon. Mr. HAIG: I realize that.

Hon. Mr. HUGESSEN: The pension will keep you in cigarettes and pop.

Hon. Mr. HAIG: But I neither smoke nor drink pop.

Hon. Mr. BEAUBIEN: You can use that money to treat your friends.

Hon. Mr. HAIG: But they are better off than I am.

The CHAIRMAN: Mr. Bryce, can you tell us how much of the amount in this item is for pensions to the blind?

Mr. BRYCE: I am afraid, sir, that I have not that information before me. It is a few million dollars. (Added later: approximately four million dollars.)

Hon. Mr. HAIG: We do not object to those pensions.

The CHAIRMAN: Are there any further comments on Item 26?

Hon. Mr. HAIG: Pass.

The CHAIRMAN: Then we shall pass on to Item 27, "Veterans Disability Pensions and Other Payments under the Pension Act."

Hon. Mr. HAIG: We cannot do anything about that item.

The CHAIRMAN: Can you give a word of explanation about this item, Mr. Bryce? Does it include the item known as Veterans Allowances?

Mr. BRYCE: No, sir. During the war or immediately after the war there were two or three orders in council passed which authorized certain persons other than those covered directly under the Pensions Act to be granted pensions. I have forgotten the details, but I think these orders in council applied to such persons as widows of employees of the government killed in unscheduled aircraft flights, and other special cases. This item covers just the one large vote No. 546 in the Estimates, and the details are given there.

Hon. Mr. REID: May I ask if 1949-1950 was the peak year and whether the amount will be decreasing from now on? I notice that the 1950-1951 and the 1951-52 were down; the 1949-50 was the highest. I am wondering if that was the peak year.

Mr. BRYCE: I can verify that in a moment.

Hon. Mr. HAIG: The deputy minister was before the committee a few years ago, and he told us that was the peak year, and it would go down. He gave us the figures to show it.

Mr. BRYCE: It appears, Senator, that 1948-49 was the peak year in terms of pensions. The expenditures in 1948-49, as recorded at page 97 of the papers accompanying the budget, show that \$103 million was spent in that year.

The CHAIRMAN: That has tended to decline steadily?

Mr. BRYCE: Yes, very slightly.

Hon. Mr. HUGESSEN: About \$2 million a year.

Hon. Mr. HAIG: That is what we were told in 1948 or 1949, by the deputy minister, when he was before us. Now, Korea may put it up.

The CHAIRMAN: Yes, it may.

Hon. Mr. HAIG: But not very much yet.

The CHAIRMAN: We come now to Item 28, Other Payments to Veterans and Dependents. How do you distinguish, Mr. Bryce, between Item 27 and Item 28?

Mr. BRYCE: We made that distinction, sir, because Item 27 is the largest and more clear cut of these payments; also, it is the one that is most permanent. The biggest item in 28 is War Veterans Allowances, the details of which will be found in the votes for Veterans Affairs. Some of the other large items are Hospital Allowances, Post-Discharge Rehabilitation Benefits in the sum of \$6,400,000, and Re-Establishment Credits of \$15 million for the current year.

The CHAIRMAN: Those latter two items would arise out of the last war.

Mr. BRYCE: Yes, sir; these are the rehabilitation grants out of the last war.

The CHAIRMAN: Have you got the figures for the amounts paid in Veterans Allowances?

Mr. BRYCE: That is the amount provided in the Estimates for Veterans Allowances of \$26,585,000; in addition to that, however, you may recall that there is a vote for an assistance fund to supplement the Veterans Allowances under certain circumstances, in the amount of \$850,000.

Hon. Mr. HUGESSEN: I suppose this Item 28 would also include university training, and things of that sort?

Mr. BRYCE: Yes, sir.

Hon. Mr. HAIG: Of course that is going down.

Hon. Mr. HUGESSEN: Yes.

Hon. Mr. HAIG: This is about the last year.

Hon. Mr. VIEN: What is the division as between the first war and the second war, in relation to the expenditures for veterans?

Mr. BRYCE: We do not have that in the Estimates. I believe in the detailed Public Accounts in the past years at least a distinction has been made in connection with the payment of pensions. Naturally, there is very little in the way of War Veterans Allowances being paid except for veterans of the First World War, and almost nothing in the way of rehabilitation benefits for veterans of that war.

Hon. Mr. ISNOR: I think the figure is 24 to 1.

The CHAIRMAN: Is there anything further on Item 28?

Hon. Mr. REID: I should like to ask Mr. Bryce a question on the matter of decisions rendered by the Treasury Board, upon questions being asked by the various departmental heads. Do these questions go before a special officer or before the Treasury Board as a whole for consideration?

Mr. BRYCE: Any decision of the Board normally has been before the Board, but prior to looking at it, the board requests the staff to get the material bearing on it examined and prepared in summary fashion, so that it can deal with it quickly. The problem in dealing with administrative matters of this sort is the huge volume and the necessity for segregating the purely routine cases from the important ones.

Hon. Mr. REID: What I had in mind was the case of a ruling made apparently under the old Soldiers' Settlement Act. I disputed it at the time, and I am still disputing it. They told me the Treasury Board had made a ruling, and having done so the director said they could do nothing. I am still of the opinion that there was something read into the Act which is not there. I was wondering whether it was the decision of a certain individual or of the Treasury Board as a whole.

Mr. BRYCE: In cases of that kind, I can assure you the ministers would look at it very carefully.

The CHAIRMAN: Item 29, Government's Contribution to the Unemployment Insurance Fund. I do not think that requires much explanation.

Hon. Mr. HAIG: No; we can't do anything about it.

Hon. Mr. REID: What part of the contribution does the government pay?

Mr. BRYCE: I believe it pays 20 per cent of the total. Some minor changes were made last year which have altered the simplicity of the former fraction, but it is roughly 20 per cent.

Hon. Mr. REID: What employees would come under Unemployment Insurance?

Mr. BRYCE: There are millions of employees.

Hon. Mr. REID: In every province?

Mr. BRYCE: In every province. There is a very elaborate schedule defining the occupations.

Hon. Mr. HUGESSEN: I understand there are about $3\frac{1}{2}$ million in it.

Hon. Mr. HAIG: And there are a lot of people under it who got hooked; they will never get any benefits out of it. I refer to the law students and young men in banks and places of that kind, who have no hope of benefiting by it.

The CHAIRMAN: At any rate, this represents about 20 per cent. My recollection is that in addition to its contribution the government provides the administrative machinery for handling the department?

Mr. BRYCE: Yes. The administrative costs are, of course, distributed under other headings.

The CHAIRMAN: They are under other headings, but the administrative costs are in addition to the contribution.

Mr. BRYCE: I can give you the amount of the administrative costs.

The CHAIRMAN: It would be interesting to have that information.

Mr. BRYCE: It is about \$24 million for the current year.

Hon. Mr. BEAUBIEN: How does that compare with last year?

Mr. BRYCE: Last year the administrative cost was about \$22.4 million; there is an increase of \$1.5 million, roughly. That is subject to special supplementary estimates at the end of last year; but, I do not think there was anything significant added, sir.

The CHAIRMAN: At any rate, the administrative costs and government contribution is more than \$50 million a year?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: Any further questions on that point?

Hon. Mr. REID: Does the government keep stenographers, clerks and people of that kind under Unemployment Insurance.

Mr. BRYCE: I believe those who are temporary—

Hon. Mr. REID: I am wondering if the permanent staff are under Unemployment Insurance?

Mr. BRYCE: There are regulations of the Unemployment Insurance Commission as to what civil servants are included; broadly speaking, I believe that temporary civil servants are covered by Unemployment Insurance until they have worked for a sufficient period of years to indicate that there is every reason to expect them to work indefinitely for the government. It has been a matter of some controversy, I believe, as to what is the appropriate test as to when a temporary civil servant should go off unemployment insurance.

Hon. Mr. REID: For instance, you would not be covered by Unemployment Insurance.

Mr. BRYCE: No, not as a permanent officer.

Hon. Mr. REID: You are classified as a permanent officer?

Mr. BRYCE: Yes.

Hon. Mr. REID: The permanent officers do not come under it.

Mr. BRYCE: Yes; of course there is also an income test. A person with a salary over a certain level does not come under it.

Hon. Mr. HAIG: \$4,000.

Mr. BRYCE: Those with salaries of more than \$4,000 a year are not covered.

The CHAIRMAN: I think we can now pass on to Item 30, General Health Grants, which stands at the same amount as a year ago.

Hon. Mr. GOLDING: Yes, but from 1949-50 there is quite a reduction.

Mr. BRYCE: That is only a reduction in the estimate; the actual expenditures have in fact been increasing. When we found that the expenditures were limited by practical considerations, the government decided that it did not need to provide for the total amount that theoretically could be expended under the grants; the \$25 million represents rather an upper limit on the amounts that it is felt could be spent under the grants.

Hon. Mr. VIEN: Have you the exact amount expended?

Mr. BRYCE: I have it here for the latest year for which the figure is available. For the fiscal year 1949-50 the expenditures were \$15,716,000. For the past fiscal year just concluded, 1950-51, the forecast, as we put it in the estimates, was \$22.3 million; and consequently the \$25,000,000 provided for in the estimates allows some increase over the actual expenditure of last year. I am just looking to see whether in the budget we had a slightly more up-to-date forecast of the total.

Hon. Mr. VIEN: What page?

Mr. BRYCE: In the budget pamphlet, page 97, you will see that the forecast made at that time for the expenditures on the general health grants in 1950-51, on the right-hand column about the eighth line down, is \$19,300,000. That forecast was made a couple of months later than the one printed in the estimates book.

Hon. Mr. REID: Are you not of the opinion that the other grants amounting to probably \$250,000 should be under this item, "General Health"? I speak of the grants to health organizations,—the Canadian Mental Health Association, the Health League of Canada, and all those various grants that are on the estimates sheet, which are over \$25,000,000, item Number 283, \$25,000,000 for General Health grants. Should not those also be under General Health grants, because after all their object is health?

Mr. BRYCE: That is quite true. The only reason we have segregated these special categories is that these particular items are so large that they would swamp our general classes that the committee has been going over, Numbers 1 to 22. The small grants to the other organizations are included in item Number 20 for "Grants and Subsidies", under the Department of National Health, but if

we put this \$25,000,000 of the General Health grants to the Provinces into column 20 they would so swamp all others as to make comparison much less fruitful, we felt, and that is the reason we pulled them out here.

The CHAIRMAN: The next item should be good for some comment: "Trans-Canada Highway Contributions".

Hon. Mr. GOLDING: A little less this year than last year.

The CHAIRMAN: \$15,000,000 is estimated this year.

Hon. Mr. VIEN: Compared with \$20,000,000. How much of the \$20,000,000 was actually spent?

Hon. Mr. HAIG: Not very much. There won't be much spent this year, either.

Mr. BRYCE: I have that in the details of the estimates. A good deal less than the amount provided for in the estimates was in fact spent.

Hon. Mr. VIEN: And the unexpended portion lapses, does it?

Mr. BRYCE: No, sir. The contribution is a statutory expenditure, and the amount we put in the estimate is simply a forecast.

Hon. Mr. VIEN: But it is voted by parliament in resolutions?

Mr. BRYCE: No, sir, it has been authorized by parliament in a statute already.

Hon. Mr. VIEN: Right, but would the unexpended portion of the authorization made by parliament by way of resolution lapse or not, if not expended?

Mr. BRYCE: No. The authorization by parliament is entirely in the form of a statute; it does not lapse, but is good for seven years.

The CHAIRMAN: What was spent last year on the Trans-Canada Highway?

Mr. BRYCE: There were no expenditures in 1949-50, of course. The actual expenditures up to January 31, 1951—that is, about three months ago—were \$1,605,000. The anticipated expenditures in the remainder of the fiscal year, that is, cleaning up the balance of that year, were \$6,300,000, making a total of \$8,000,000 for the fiscal year that is closed. Now that may have been a relatively optimistic estimate of how many of the bills would be submitted and you will note that in the estimates a portion is described as in effect a re-vote; \$12,000,000 is taken to represent the parts of the highway that it was originally anticipated would be constructed and paid for last year.

Hon. Mr. BEAUBIEN: That money has to be re-voted?

Mr. BRYCE: Well, it is really a statutory appropriation, but we thought it would be clearer if we put in that designation to indicate that, of the \$15,000,000, \$12,000,000 is the portions that were planned last year and are being carried through.

Hon. Mr. VIEN: Is there anywhere a description of the work that is being actually carried out? What I mean, how was that money spent? How much was expended in construction work, and otherwise?

Mr. BRYCE: As you may recall, the act authorizes a certain amount of compensation to be paid to the provinces for prior construction, that is for those portions of the highway that have been constructed in the past. Now I am sorry I cannot give you the division.

Hon. Mr. VIEN: Can you find it anywhere in the public books?

Mr. BRYCE: It will be in the public accounts when they come out. In the meantime I would think that a question on the Order Paper or something of that sort would secure from the appropriate department the division of the payments into various categories.

Hon. Mr. VIEN: Are we carrying out under federal supervision actual construction work, or is the work carried out by provincial governments?

Hon. Mr. HAIG: I can answer the question. The provincial governments do the work; the Dominion Government have inspectors, engineers on every division. There is one for Manitoba, there is one for Saskatchewan, and there is one for Alberta. About a year ago they were appointed. I presume that the rest of Canada does the same.

Hon. Mr. REID: It would be interesting to know if any provincial government have obtained moneys for highways already constructed and yet have not of themselves started to build any uncompleted portions of the Trans-Canada highway.

Mr. BRYCE: I believe that the act and the agreements require that they can only get payments for earlier work done in proportion to the amount of new work that they do.

Hon. Mr. VIEN: Have we anywhere a map of the course of the Trans-Canada highway and the nature of the specifications for the construction of it?

Mr. BRYCE: A number of maps have been prepared at various stages. I believe that the location of certain portions of the road has been a matter requiring decisions by provincial governments, and some of these decisions may not yet have been taken.

Hon. Mr. BEAUBIEN: Lots of them have not been taken.

Mr. BRYCE: How far these decisions have been taken I could not tell you.

Hon. Mr. VIEN: What department would this come under?

Mr. BRYCE: I believe that would come under Mr. Wardle of the Department of Resources and Development.

Hon. Mr. VIEN: Thank you.

Hon. Mr. HORNER: Before we spend any more money on the Trans-Canada Highway I think we should come to some decision about the trucking and bus service that will be permitted on this road. Buses could take away from the railway passenger traffic and the trucking could take away from the railway service, causing an increase in our freight rates. At the same time we have no roads running north and south that amount to anything. Are we going to have some kind of a toll on this road? Are we going to allow huge vans to clutter up the road from Vancouver to Halifax?

The CHAIRMAN: Any further questions on this item?

Mr. BEAUBIEN: This is something that affects the provincial governments.

Hon. Mr. REID: It is true that the provincial governments are in charge, but I do not think we can quietly sit by and contribute 50 per cent of the cost not only to the construction of the Trans-Canada Highway but to its upkeep. Despite the fine roads they have in the United States, that country is finding that 50-ton trucks are knocking the blazes out of their roads. If that happens here the dominion government will be called upon to maintain the roads.

Hon. Mr. BEAUBIEN: You cannot invade the jurisdiction of the provinces so as to determine what traffic will be allowed on the Trans-Canada Highway within the various provinces.

Hon. Mr. VIEN: I would suggest that Mr. Bryce has given us all the information we can reasonably expect from him. As to the policy of the department, Mr. Bryce has indicated that the Minister of Resources and Development is responsible for carrying out the federal government end of it. If at a later date an occasion arises, we can have the Minister or the Deputy Minister of that department explain to us how they proceed and what safeguards they are providing in that respect.

Hon. Mr. GOLDING: Mr. Bryce, in connection with the agreement between the federal and provincial governments to put these roads down, is there any agreement also to provide for their upkeep later on?

Mr. BRYCE: I do not believe so.

Hon. Mr. GOLDING: That is what I thought.

Mr. BRYCE: I think this only relates to the capital cost.

Hon. Mr. GOLDING: Yes.

Mr. BRYCE: The provinces will be responsible for the maintenance of the road.

Hon. Mr. HAIG: The federal government will be asked for the maintenance of the road just as sure as tomorrow's sun will go down.

Hon. Mr. GOLDING: But there is no agreement at the present time about the upkeep of the highway?

Mr. BRYCE: No.

Hon. Mr. HAIG: Supposing Manitoba passes a law prohibiting any truck weighing more than two tons from passing over the Trans-Canada Highway running through Manitoba. What will happen to a truck of that weight when proceeding from Ontario to Saskatchewan?

Hon. Mr. BEAUBIEN: It will be violating the laws of the province of Manitoba if it proceeds through that province.

Hon. Mr. GOLDING: Ontario has laws of that kind too.

Hon. Mr. HAIG: There will be competition for the railroads, and every person who buys a licence for his private car will be affected. I came up to Ottawa the other day from Montreal on No. 17 highway and I was alarmed at the way five and six ton buses whizzed by us.

Hon. Mr. VIEN: They are fifty feet long.

Hon. Mr. HAIG: It was a new car and we were driving along at forty miles an hour and these buses just went by us as though we were standing still.

The CHAIRMAN: May I suggest to the committee that we will not get very far by discussing this matter. I think Senator Vien's suggestion was a good one. If later on we find an opportunity to do so we can get more detailed information.

Hon. Mr. BEAUBIEN: I just wanted to get this thing right. That is the only reason I interfered.

The CHAIRMAN: Shall we carry on to item 32 "Movement of Mail by Land, Air and Water (Post Office)". Twelve years ago it was \$15 million and last year it was \$36 million, an increase of roughly \$3 million over the previous year. I do not suppose there is anything here that calls for comment.

Hon. Mr. HAIG: There is just one comment I should like to make. I want to thank the Post Office Department for the efficient service it is giving us for mail from Manitoba to Ottawa.

The CHAIRMAN: I think that is a well-deserved compliment. Is there anything further on item 32?

Hon. Mr. ISNOR: Mr. Bryce, do you have any jurisdiction, or, would the Post Office authorities come before you in connection with increases such as they propose in the rates of newspapers as covered in the recent statement by the Postmaster General?

Hon. Mr. HAIG: That is a question of policy.

Mr. BRYCE: This legislation is dealt with normally by the Cabinet and, of course, the Minister of Finance normally wishes to look at it. He did ask me to examine the financial provision of the postal Bill.

Hon. Mr. ISNOR: Then it would come before you and you would have an opportunity to decide as to whether rural route papers in comparison with weeklies—

An Hon. SENATOR: Oh, now!

Hon. Mr. ISNOR: Well, just let the witness answer the question.

Mr. BRYCE: The departmental officials do not decide on matters of this kind. The departmental officials merely provide their Minister with information and any advice the Minister asks for.

Hon. Mr. ISNOR: I see, that is as far as you go. You would not be in a position to say that there is discrimination in the rural districts because of an increase in the newspaper rates?

Mr. BRYCE: No, sir.

Hon. Mr. BEAUBIEN: Does the revenue of the post office cover the expenditures fairly well?

Mr. BRYCE: Broadly speaking, yes. Naturally each year there might be a slight difference one way or another.

The CHAIRMAN: That is after carrying scores of tons of franked mail?

Hon. Mr. HAIG: Yes.

Hon. Mr. GOLDING: How do they stand after paying rent for their buildings and so on?

Mr. BRYCE: I believe last year they had a small deficit of a few million dollars in a business of roughly \$90 million. The Post Office endeavours to cover its costs out of its revenues. It is true that the rental value of the buildings they occupy might be 5, 6 or 7 million dollars, but, on the other hand, they do provide to the government departments and members and senators, services worth some millions of dollars as well.

Hon. Mr. HAIG: Quite right.

Mr. BRYCE: If all the accounts were in and they were charged for building facilities they occupy, and if they charged government departments, as least, for all the mail they carry on their behalf, we do not believe it would greatly affect the outcome. We think in the Department of Finance that it would make a clearer picture for parliament and the public to understand.

Hon. Mr. VIEN: Post offices are public buildings administered by the Department of Public Works?

Mr. BRYCE: Yes, sir.

Hon. Mr. VIEN: Does the Post Office Department lease the premises?

Mr. BRYCE: No, sir.

Hon. Mr. VIEN: They are supplied free of charge?

Mr. BRYCE: Yes, sir.

Hon. Mr. VIEN: So the expense of maintaining public buildings for the postal service comes under "Public Buildings" in the Department of Public Works.

Mr. BRYCE: Yes, sir. I believe, sir, that the costs for some of the very small post offices are paid out of revenue.

The CHAIRMAN: For instance, a revenue postmaster who gets a commission on the sale of stamps and orders would heat his own premises, I take it?

Hon. Mr. VIEN: Not always.

Mr. BRYCE: I hesitate to generalize, Mr. Chairman, because I believe there are certain differences of detail.

Hon. Mr. VIEN: In Montreal—and I believe the same is true of Toronto and elsewhere—the sale of stamps is a concession to individuals, who get a commission on the volume of sales they make.

The CHAIRMAN: What I had in mind was a post office in a small village of, say, fifty persons. The postmaster there usually does not receive a salary, but gets a commission on the stamps and orders he sells. I think it will be found that he provides his premises and heats them.

Hon. Mr. BEAUBIEN: He gets a certain rental.

Hon. Mr. HAIG: Some do and some do not.

Hon. Mr. ISNOR: Mr. Chairman, may I ask Mr. Bryce a question? Did I understand you correctly, Mr. Bryce, to say that apart from last year, when there was a small deficit, the Post Office Department has for a number of years had an operating surplus?

Mr. BRYCE: I hesitate to speak definitely, sir, without looking at the figures. At page 328 of the main Estimates it will be seen that the Post Office net revenue forecast for the year 1950-1951 is \$89 million. The total of all votes for the Post Office Department in that year was \$87.6 million. In addition, however, there was a supplementary estimate at the end of the year, I believe largely to meet increased cost of railway mail service, of \$5 million, if I remember correctly; so that all told the votes amounted to \$92.6 million, and the forecast revenue was \$89 million.

Hon. Mr. ISNOR: On those figures there would be a deficit of how much?

Mr. BRYCE: A deficit of something more than \$3 million.

Hon. Mr. REID: The table that we have before us contains four columns of figures: one for 1938-39, one for 1949-50, one for 1950-51 and one for 1951-52. The figures shown for 1951-52 are of course estimates. Are the figures for 1950-51 the total expenditures for that year, including the millions of dollars voted as supplementary estimates, or are they merely the amounts shown in the main estimates for that year? What I want to find out is if we have a fair basis of comparison between these two years.

Mr. BRYCE: The figures for 1950-51, sir, are the estimates for that year with the exception of the final supplementary estimates at the end of March. I may say that I always have considerable difficulty in explaining to the Press that the main estimates endeavour to cover all intended expenditures that are decided upon at the time the estimates are tabled and that nothing is deliberately or knowingly postponed until the supplementary estimates are brought in. And in so far as the supplementary estimates for the previous year cover new developments, new programs, new policies and so on, the costs for these are included the following year in the main estimates. But experience has shown that towards the end of every session it is necessary to bring down supplementary estimates to cover expenditures that had not been decided upon when the main estimates were introduced. I would add that traditionally the deficits of the Canadian National Railways and Trans-Canada Airways are voted at the end of the fiscal year, and of course, these are not shown in the figures in this table for either 1950-51 or 1951-52.

Hon. Mr. REID: The total of the figures given here for the year 1950-51 is \$1,957,972,000, and the total for the year 1951-52 is \$1,922,704,000. On the face of it that looks like a decrease in expenditures this year, but we are unable to tell whether this is so without knowing the amount of the supplementary estimates. When all the figures are included there might be an increase this year?

Mr. BRYCE: That might well be.

Hon. Mr. REID: We should keep that picture clearly before us. It is not necessarily a reduction that we are looking at, for we have not the final supplementary estimates before us.

The CHAIRMAN: Quite true. We come now to Item 33, Deficits-Government Owned Enterprises.

Hon. Mr. HAIG: Tell us what they include.

Hon. Mr. REID: They include the C.B.C.

Mr. BRYCE: It includes provision for the deficits incurred in the operation of the Hudson Bay Railway, the Northwest Communications System, the Prince Edward Island Car Ferry and Terminals, the Canadian National (West Indies)

Steamships Limited, Churchill Harbour, and the Canadian Broadcasting Corporation, when we supply anything for its deficit; and for the years prior to 1950-51 the figures include in the table the deficit of the Canadian National Railway and the Trans-Canada Airways.

Hon. Mr. REID: Why does it include the Canadian National (West Indies) Steamships Limited, and not the C.N.R., which is operated by the government?

Mr. BRYCE: We are able to make some rough anticipation of the steamships deficit, but as to the Canadian National Railways deficit, it is the relatively small difference between two huge figures; at the beginning of the year it is impossible to say whether it will be \$3 million or \$30 million.

Hon. Mr. REID: Item 33 does not include all government owned enterprises?

Mr. BRYCE: No sir, because it does not include the final supplementary estimates.

Hon. Mr. HORNER: The government owned synthetic rubber plant is not included here.

Hon. Mr. HAIG: But they are making some money there.

Mr. BRYCE: They have been making some money, that is true.

Hon. Mr. ISNOR: Does it include the operations of the Canadian Commercial Corporation?

Mr. BRYCE: No, the C.C.C. does not normally operate at a deficit. Certain funds are voted to meet the costs incurred by the C.C.C. in its purchasing for National Defence. Those are voted as a special appropriation in themselves.

Hon. Mr. ISNOR: I note at page 102 of the green book, the Budget Speech, there is shown for the C.C.C. the sum of \$2,500,000.

Mr. BRYCE: Yes; those figures were for 1947.

Hon. Mr. ISNOR: And it shows a credit to the Canadian Wool Board. That is an operation carried on by the C.C.C., is it not?

Mr. BRYCE: No; it was carried on separately, I think, under the Wartime Prices and Trade Board.

Hon. Mr. ISNOR: But is now carried on by the C.C.C.?

Mr. BRYCE: Well, it was until the end of March, and now by the Defence Production Department.

Hon. Mr. ISNOR: The main point I want to make is that it shows a credit of \$6,457,000.

Mr. BRYCE: That is repayments of moneys that have been advanced to them, or profits they made in their operations.

Hon. Mr. ISNOR: Is it profit or the repayment of funds?

Mr. BRYCE: It is a repayment, or a credit of that nature, a payment to the Crown.

Hon. Mr. ISNOR: You are not in a position to say that it is a profit as a result of their transactions?

Mr. BRYCE: I am sorry, but that happened more than five years ago, and I cannot now recollect what it was.

Hon. Mr. ISNOR: I am thinking more of the present day, whether their operations would be on a par with that.

Mr. BRYCE: Well, wool prices go up and down, and it is pretty hard to say what is going to happen.

The CHAIRMAN: Are there any further questions?

Hon. Mr. HAIG: Pass.

The CHAIRMAN: That brings us to the end of the special categories. There is shown here the total of the special categories, and from that is taken the

Estimated Savings and Recoverable Items. If Mr. Bryce can, I think he should give us a word of explanation on that.

Mr. BRYCE: In the Department of Veterans Affairs you will find, for example, one of the largest of the recoverable items. They recover certain of the costs of operating their hospitals, from patients or departments, or the armed services, who are not entitled to free treatment.

Hon. Mr. HAIG: And they are renting some space in the hospitals to the public, under certain conditions.

Mr. BRYCE: Yes, I think so.

Hon. Mr. HAIG: Where there is space, the public is being allowed to use it and is being charged for it.

Mr. BRYCE: For example, if you look on page 517 of the Estimates you will see an amount recoverable for treatment of patients who are not the responsibility of the Department of Veterans Affairs, an amount of \$2,900,000. As you see, that covers well over half of this item; and in certain other cases there are similar—

Hon. Mr. HAIG: They are doing it in Toronto, I know.

Hon. Mr. ISNOR: Would there be a recoverable item from sick mariners, by the Department of Transport?

Mr. BRYCE: There might be some for sick mariners; there might be some from the Department of National Defence, and some from R.C.M.P.

The CHAIRMAN: Any further questions?

Hon. Mr. VIEN: What is the nature of the estimated savings?

Mr. BRYCE: That is one of the more complicated small items. In some cases we have provided an over-all figure in the votes for this, that and the other; then, at the bottom we deducted an estimated savings in the total as compared with the total of the individual items.

Hon. Mr. VIEN: Savings means, I take it, that the total amount estimated may not be expended, and the savings is to cover the margin.

Mr. BRYCE: Yes, that is right, sir.

Hon. Mr. VIEN: It is not savings in the ordinary sense of the word?

Mr. BRYCE: No. There was no easy and perfectly accurate word to be used, and we thought "savings" would probably be better understood than anything else.

The CHAIRMAN: If there are no further questions, that concludes this part of the inquiry. The committee will adjourn until Tuesday next, when Mr. Bryce will again be with us.

The committee adjourned until Tuesday, May 29, at 10.30 a.m.

1951

THE SENATE OF CANADA



Government
Publications

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 6

TUESDAY, MAY 29, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

Mr. J. H. Lowther, Director, Public Finance and Transportation Division,
Dominion Bureau of Statistics.

Mr. H. Marshall, Dominion Statistician.

APPENDIX "C"

Combined Revenues and Expenditures—All Governments in Canada
(Fiscal Years ending nearest to December 31, 1939, 1948 and 1949).

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

THE STANDING COMMITTEE ON FINANCE

The Honourable THOMAS A. CRERAR, P.C., Chairman.

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Moraud
Beaubien	Hayden	Paterson
Bouffard	Horner	Petten
Buchanan	Howard	Pirie
Burchill	Howden	Reid
Campbell	Hugessen	Robertson
Crerar	Hurtubise	Roebuck
Davies	Hushion	Ross
DuTremblay	Isnor	Taylor
Euler	King	Turgeon
Fafard	Lacasse	Vaillancourt
Farquhar	Lambert	Veniot
Farris	McDonald	Vien
Fogo	McIntyre	Wilson

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday,
March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,

Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, MAY 29, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators, Crerar Chairman, Aseltine, Barbour, Beaubien, Buchanan, Euler, Golding, Gouin, Haig, Horner, Isnor, King, Lambert, McDonald, Reid, Taylor and Vaillancourt.—17.—

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

The following were heard:

Mr. J. H. Lowther, Director, Public Finance and Transportation Division, Dominion Bureau of Statistics.

Mr. H. Marshall, Dominion Statistician.

Mr. Lowther filed a document showing the combined revenues and expenditures—all governments in Canada, for the fiscal years ending nearest to December 31, 1939, 1948 and 1949.

Ordered that the said document be printed as an Appendix to Proceedings No. 6.

At 12.15 p.m. the Committee adjourned until tomorrow, Wednesday, May 30, 1951, when the Senate rises.

Attest.

JOHN A HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Tuesday, May 29, 1951.

The standing Committee on Finance, which was authorized to examine the Estimates laid before parliament for the fiscal year ending March 31, 1952, met this day at 10.30 a.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Will the Committee please come to order. I mentioned in the house last evening that Mr. Bryce would not be here this morning; he told me on Monday that he had another important meeting to attend today, and I have arranged with Mr. Lowther of the Public Finance Division of the Bureau of Statistics to come and talk to us about the results of his inquiries into the total of government revenues and government expenditures at all levels of government in Canada. The statement was circulated to members of the Committee, and I hope that you have brought it with you today. I will now ask Mr. Lowther to come forward.

Perhaps I should explain to the Committee that in the Bureau there is a time lag in getting the detailed accurate figures together. I have asked Mr. Lowther to make an estimate of the total revenues and expenditures of all governments for 1950 and 1951. He will explain to us the basis upon which these estimates are worked out.

The estimates for 1951 are taken from the budget speeches of the provincial governments, all of which Mr. Lowther has for this year. The information on all municipalities is not available, but Mr. Lowther will, I think, explain that his estimates for this year are approximate but that they will be accurate within a narrow margin. He is assuming that in 1951 the municipalities will spend not less than they spent in 1950, in the aggregate; the probability is that they will spend somewhat more, for in my observation of the struggles of municipal councils in the larger cities, their budgets this year tend to go up, and there is a constant effort to find new revenues to meet additional expenditures.

With that preliminary word, it might be well to have Mr. Lowther indicate briefly what the Bureau hopes to achieve in getting these figures together, and explain to us how they are arrived at.

Hon. Mr. McDONALD: Mr. Chairman, what is included in the municipalities revenues and expenditures? Does that include all municipalities and cities?

The CHAIRMAN: Municipalities and cities.

Hon. Mr. ASELTINE: Cities are municipalities.

Hon. Mr. McDONALD: I understood the Chairman to say that it is not complete. In what sense is it not complete, Mr. Chairman?

The CHAIRMAN: It is not complete for 1951, in the sense that these figures have not yet all come in to the Bureau; there is, however, a safe assumption that the municipalities over all will not spend less in 1951 than they spent in 1950. I mentioned a moment ago that such evidence as we have is that the tendency in the larger cities is to increase their expenditures. So it is a safe assumption, I think, to take the 1950 level of expenditures by municipalities and apply that to 1951; and if anything we will be erring on the safe side.

I have just one word more. These statements which we have before us are very interesting. They are headed "Combined Expenditures—All Governments in Canada for 1939, 1948 and 1949". As I have already stated, the figures for 1950 can be accepted as correct within a narrow margin, and probably the 1951 figures can also be accepted. The complete data have not come into the Bureau so that they can be estimated down to the last decimal point.

You will observe on this first statement of combined revenues that there is an analysis of the source from which taxation is derived, and they are grouped under headings: Income and Corporation Taxes; No. 6 is Succession Duties, and shows the total taken out of the public for that purpose. Nos. 7-15 includes Real and Personal Property which is practically all municipal; Customs Duties and other Import Taxes; Excise Duties and Sales Taxes; Gasoline Tax, Liquor including Liquor Control; Tobacco; General Sales Tax; Amusement Tax; Other Commodities and Services; and then Licences, Permits and Fees; C.N.R. Income Surplus, if any; Municipal Public Utility Contributions, and a basket' item called Other Revenue.

You will observe that on the expenditure side there is an analysis of where all the revenue goes; Debt Charges; Public Welfare, and Items 2-7 cover the various divisions. Item 10 shows the amount spent on Transportation, Highways, Bridges, Airways, Railways, Waterways, etc. The next item is Agriculture, followed by Public Domain, National Defence, Veterans' Pensions and Aftercare; the item of mutual aid, what we spend on expansion of industry, and these other items. Now that will give a picture of what we are trying to probe today, and I shall ask Mr. Lowther to give an explanation as fully as he cares to make it of the manner in which, as Director of the Public Finance Division of the Bureau, he gathers that data and analyses it and puts it in the form that we have it before us today.

Hon. Mr. ISNOR: Just before Mr. Lowther goes on with his statement; under what column would I find a complete total of the amount spent for transportation, highways, etc., by the federal government, provinces and municipalities,—the grand total?

Mr. J. H. LOWTHER: In the first group of columns on the second statement, sir, opposite item 10, 1949, total expenditures by all levels of government on transportation, highways, bridges and so forth are \$514,825,000.

Mr. ISNOR: That represents what?

Mr. LOWTHER: That represents the total expenditures by the federal, provincial and municipal governments on roads and highways, assistance in building waterways, and that sort of thing.

The CHAIRMAN: Now, shall Mr. Lowther proceed? Very good, Mr. Lowther.

Mr. LOWTHER: To begin with, there are three principal points which I think might be explained in order that your Committee will be thoroughly aware of the basis upon which these figures are drawn up. First, as honourable senators will probably all know, not all governments have the same fiscal year end. So the first problem is to reduce the statistics, so to speak, to the nearest common fiscal period applicable to the majority of the levels of government; so that we take fiscal years ending nearest to December 31st in each of the years shown. Thus, when I refer to 1949, as it applies to the federal government that would be the fiscal year ended March 31, 1950; and similarly with the provincial governments whose fiscal years end March 31st. During this period there are only two provinces whose fiscal years ended other than on March 31st. One of them was October 31st and one was November 30. So that, as I said before, in compiling these data we use fiscal periods ending nearest to December 31st, thereby bringing the operations of all levels of government into one grand total for the most common fiscal period.

That also explains, I should add, the reason why, as your Chairman pointed out in his opening remarks, at this date we are not able to give you complete details of revenues or expenditures for 1950 or 1951. 1950, for instance, would be the fiscal year ended March 31, 1951; and as you all probably know, the provincial governments' public accounts are never available until some time anywhere from a year to fourteen months after the end of the fiscal year. Consequently, any figures that I quote to you this morning for 1950, or for the 1951 period, which will be the estimates for March 31, 1952, will be purely estimates, and, as your Chairman pointed out, would be subject to a margin, of say error or a degree of change when the final figures do become available.

The CHAIRMAN: Just there: those would be however approximately correct, within a narrow margin of error?

Mr. LOWTHER: Well, I would think so, yes. They would certainly be good enough for considerations of the type that your committee is giving to this problem. They would not have the same degree of accuracy as an audited financial statement, but they would be satisfactory for the purpose of a broad consideration of the economic impact of government transactions.

The second point, which is rather important, is our treatment of payments made by one government to another government. There are two classes of payments involved in such transactions, one being grants towards the cost of certain services that are performed by another level of government. For instance, one of the best illustrations of this point is in the case of old age pensions. As you all know, the actual expenditure on the pensions is made by the provincial government, with the federal government contributing a percentage or a portion of that cost. In other words, the federal government itself does not pay any old age pensions, but it pays the money to the provinces, and the provinces in turn pay the pension recipients. For the purpose of these statistics, we try to avoid duplication. As you will appreciate, if we show that expenditure for old age pensions—the amount paid by the federal government—as an expenditure, and if we also show as an expenditure the total amount paid by the provinces to the recipients of old age pensions, there would be a duplication to the extent of the federal government's contribution towards those costs. Consequently, in the case of any grants in aid, so to speak, towards the cost of services made or provided by provincial or municipal governments, the revenues they receive or the grants these governments receive from other governments are deducted from their expenditure, so that our expenditures represent the net cost of all of these services to the governments in question. Thus, the amount shown as expenditures on old age pensions under the columns headed "Provincial Government" would be the net cost to the provinces for old age pensions, after deducting what they get from the federal government. The same situation will apply in respect to the federal health grant system. What we show as expenditure for health will be the net provincial expenditures upon health.

Hon. Mr. HAIG: Good roads would be the same way? Highways?

Mr. LOWTHER: That is right.

Hon. Mr. HAIG: The Trans-Canada highway would be the same?

Mr. LOWTHER: That is right. The same would apply between municipal and provincial governments.

The second type of transaction, however, which we treat differently is general subsidies or grants that are made by one level of government to another, without any specific purpose being attached to the payment, such as the British North America Act subsidies, for instance. They are not necessarily related to any particular service that is rendered by the provincial government. Neither are the payments made by the federal government to the provinces under the Dominion-Provincial tax agreements. Those payments, therefore, in these

tables are excluded from the revenues of the provinces and also excluded from the expenditures of the federal government. If you look at line 24, for instance, of your first extended table, the totals on that line will indicate the total revenues derived from the general public, so to speak, by all levels of government. Similarly, on table 2, line 19 indicates the total amount spent by all levels of government, exclusive of those inter-governmental transfers, as I mentioned previously. For balancing purposes these are also left out of the revenue side, but shown below in each table. If you are looking at the transactions of any one level of government you can find out their total revenues or expenditures by adding back the inter-governmental items. In 1949, on this basis of compilation the revenues of the dominion were \$2,411,000,000, and their expenditures, exclusive of what they paid to the provinces by way of subsidies, were \$2,011,000,000. In addition to this they paid \$105 million in subsidies, making their total expenditures \$2,116,000,000. Those are the two principal features of this type of compilation where you are adding the revenues and expenditures of payments between the different levels of government in order to avoid duplication in your aggregate totals for the three levels of government concerned.

The fourth point which might be of some value by way of explanation is the reason why we use terms or classifications which may not be completely familiar to you gentlemen, or which may be in conflict in some instances with the terms and expressions or classifications used in the official public accounts of the governments in question. In some respects it will also account for the fact that what we show as total revenues or total expenditures of the dominion or of the provinces may not be in absolute agreement with the total revenues and expenditures as appearing in the Public Accounts. As in the case of dominion-provincial grants, for instance, which are offset against provincial expenditures, we separate any revenues of a government that are directly associated with or related to a given service or type of expenditure, and these are deducted from that expenditure to show the net costs of the service to the government in question. That procedure is followed throughout each of these series both in the federal, provincial and municipal fields. In other words, these are what we refer to as the net combined revenues and expenditures of governments.

For the purpose of these statistics we have classified the expenditures of all governments according to what we call functions of expenditure. They represent the services rather than the administrative agency or arm of government that is responsible for rendering the service. Similarly we have established a standard classification for allocating revenues of all levels of government in order to bring them all into perspective according to common terms. I think, Mr. Chairman, subject to any question the members might wish to ask, that this explanation might suffice for the time being.

Hon. Mr. REID: Has any check or survey been made comparing budget estimates with expenditures? What I have in mind is that there seems to be a tendency on the part of most governments today to put out as lean a budget as possible, but they over-expend. I was wondering if the trend today is that way or am I wrong in my thinking? It seems to me that the budget puts out a fairly nice picture but when you check the expenditures the following year with the budget you see that there is a great deal of difference. I am thinking of provincial and dominion levels. Do you find that tendency?

Mr. LOWTHER: Generally speaking as to revenues, I think that would be the case in the majority of instances with the exception of municipal governments.

Hon. Mr. REID: They do not put out a budget; they just put out a balance sheet.

Mr. LOWTHER: They all have to budget on some basis or other but their method of raising revenue is vastly different from the method of raising revenue that is used by the provincial and federal governments. Therefore, when they levy a tax, that is all the money they have. It is not a question of them getting more taxes as the result of a higher level of employment and income in a given fiscal period. When they fix the tax rate and it is applied to the assessed value, that is all the revenue they get in that year regardless of the general level of economy in the country; whereas in the provincial and federal fields a higher level of economic activity will automatically, in many instances, result in a greater revenue yield than was originally anticipated when the estimates were first struck.

Hon. Mr. REID: This may not be a fair question to ask but do you find in your surveys that budget speeches of most governments are not always a true and correct picture? I am referring particularly to my own province of British Columbia. When the Minister of Finance brings down his budget he wants to present a nice picture, but it does not always reveal a true picture. To me it seems that this tendency is growing more and more. In other words, they are endeavouring to put it over on the public.

Hon. Mr. GOLDING: I think every municipality has to have a budget whether it is a city, town or township. It is on that that they base their tax rate for the year. It may not be as elaborately prepared as a provincial or federal budget but nevertheless you have to have a budget to fix your taxes.

Mr. LOWTHER: That is right.

Hon. Mr. REID: I think that is understood but they usually do not give a set budget speech outlining the exact finances of the municipality. The municipal council meet and they present an estimate of the expenditures and thereby set the mill rate. The provincial governments bring down a budget speech purporting to show the facts.

Hon. Mr. EULER: You would hardly expect this witness to express an opinion as to whether the governments are trying to put anything over on the public.

Hon. Mr. REID: I think Senator Euler is reading something into my question which I did not mean to be there. I asked the witness a specific question. I know just what the witness can answer as well as anybody else.

The CHAIRMAN: Please address all remarks to the chair.

Hon. Mr. ISNOR: I should like to ask the witness where I would find the total cost of our highway systems, dominion, provincial and municipal costs?

Mr. LOWTHER: You mean the total cost to date?

Hon. Mr. ISNOR: No, for any one year. Take 1949, including the upkeep.

Mr. LOWTHER: Well, it would be included in that same item—

Hon. Mr. ISNOR: No. 10.

Mr. LOWTHER: —that I referred to before; but you could not assume that the figures shown relate solely to highway expenditures. There are other items of expenditures for other transportation costs which will also be included in that figure.

Hon. Mr. ISNOR: Does that include capital expenditure plus maintenance?

Mr. LOWTHER: That is right.

Hon. Mr. ISNOR: What other items besides highways, bridges, airways, etc.?

Mr. LOWTHER: For instance, the federal government spends a good deal of money on canals, waterways, rivers and breakwaters, maintenance and services in the Department of Transport through aids to navigation and that sort of thing.

Hon. Mr. ISNOR: Would it be safe to say that that is the total cost apart from railways and airways?

Mr. LOWTHER: I do not follow your question, sir.

Hon. Mr. ISNOR: I am trying to arrive at the transportation charges, and I use highways as an illustration. What are the total transportation costs to the public?

Mr. LOWTHER: Well, these figures that appear on this line would indicate the total expenditures by governments on transportation facilities—public transport facilities.

The CHAIRMAN: By way of illustration, this item of expenditure, Transportation, Highways, Bridges, Airways, Railways, Waterways, etc., include roads, harbours, canals and everything of that sort. The total expenditure in 1949 of all governments was \$514 million, and the total expenditure by the Dominion was \$157 million, and the provinces spent \$254 million, and the municipalities \$102 million. Those are all in round figures.

Hon. Mr. ISNOR: I come back now to my question which I asked a moment ago; that is the total expenditure in so far as our transportation system is concerned, apart from the cost of railways and airlines, is that correct?

Mr. LOWTHER: It would include, for instance, these figures for the federal government, including the deficits of the C.N.R. in the years in which a deficit occurred, and a deficit was incurred in each of these years shown here. It will be observed that there is a footnote² which appears opposite the item under the columns, Dominion. That footnote reads "Includes deficits (net after deducting profits) of miscellaneous government-owned transportation enterprises—Prince Edward Island Car Ferry, Hudson Bay Railway, Canadian National Railways, Trans-Canada Airlines, Quebec and Churchill Harbours, and Canadian National (West Indies) Steamships Limited".

Hon. Mr. EULER: Do you mean to say that the Hudson Bay Railway shows a profit?

Mr. LOWTHER: No; that it is in the deficits included in these figures of expenditures; in other words, if any transportation enterprise of the government incurs a deficit which is met out of the Consolidated Revenue Fund, it would be shown as part of the expenditure on transportation for that particular year.

The CHAIRMAN: It might be useful to look for a moment at the details of where the revenues come from.

Hon. Mr. BARBOUR: Mr. Chairman, before going to that, I observe that most of our increases arise from five items: Item No. 2, Health and Hospital Care; No. 3, Labour and Unemployment Insurance; No. 5, Old Age Pensions; No. 6, Family Allowances; and No. 18, Other Expenditures. In Item 18 there seems to be an increase to \$494 million. What does that include, National Defence?

Mr. LOWTHER: No; National Defence is shown under a separate item, at Line 13.

Hon. Mr. BARBOUR: But it seems to me that the bulk of the increased expenditures are contained in these five items; and, these are things which have contributed to increasing the provincial governments' budgets.

The CHAIRMAN: Under that heading, Senator, if you take the group Nos. 2-7, those are all under public welfare. The total spent in 1949 by all governments was \$801 million, of which the federal government spent \$477 million the provincial governments \$217 million and the municipalities \$107 million. That is the classification by levels of governments of this total item for public welfare of \$801 million. By the way, Mr. Lowther, have you got the figures for 1950 in total?

Mr. LOWTHER: No, I could not give you those in detail. The only figures I could even express an opinion on for 1950 or 1951 would be in totals only. As I pointed out earlier, 1950 means March 31, 1951, and some of the provinces would not even have their books closed by now, so the actual figures would not be available.

The CHAIRMAN: From what knowledge you have, is that tending to go upward or downward?

Mr. LOWTHER: Do you mean the total public welfare?

The CHAIRMAN: The total of \$801 million.

Hon. Mr. ASELTINE: Up.

Mr. LOWTHER: On the basis of these figures here the trend seems to be upward. There isn't any indication that I am aware of that the program in the future will be any less than it is today.

The CHAIRMAN: It is interesting to note that the figures under the heading "Public Welfare" show, for 1939, a total of \$208 million, for 1948 an expenditure of \$659 million, and for 1949, \$801 million. The tendency during those years, at any rate, has been upward; and it will be interesting, when we get the figures in detail next year or the year following, to see what trend it is taking.

Hon. Mr. EULER: I am sure they can't help but be upward, with the Old Age Pension increases and Children Allowance increase.

The CHAIRMAN: I should think with Old Age Pension and Family Allowance, it would increase. For instance, the Family Allowance expenditures were \$299 million, and this year it will be, I think, \$320 million. That is all federal.

Hon. Mr. EULER: If old age pensions are increased, certainly the total figure will go up.

The CHAIRMAN: With old age pensions, the amount of expenditure is tending to rise. It tends to rise also by reason of veterans allowances, that is expenditures for veterans unable to work any more; they will also rise by reason of pensions to be paid to soldiers of the Korean war; public health, and practically all divisions of public welfare will bring about an upward trend. We will have to wait for the detailed figures for another year or so.

Hon. Mr. REID: One of the greatest percentages of increase is in the matter of education, which is always looked upon as a provincial matter, and which has risen from \$3½ million in 1939 to \$28,691,000 in the last fiscal year. I mention that because there is little relief given municipalities in so far as taxes are concerned, taxes on the land, as we are still paying over 50 per cent of the entire educational cost, or were in the last fiscal year,—1949.

The CHAIRMAN: The total amount spent on education by all governments in 1939 was \$128 million; in 1948, \$364 million; in 1949, \$406 million. Of this latter figure the Dominion spent \$28,000,000. I do not know just where that came in. The provinces spent \$156 million and the municipalities spent \$221 million.

Hon. Mr. REID: I am not raising any objection to it, because I know how the municipalities are placed with regard to education. But it rather intrigued me that the Dominion, which under the British North America Act leave education to the provinces, are beginning to increase the education grants. As I say, I am not raising it by way of objection, but I would like some information as to where these grants are going.

Mr. LOWTHER: I might explain what represents the Dominion's expenditures on education. That item includes, in so far as the federal government is concerned, education of Indians, including the grants to residential Indian

schools and the expenses and administration of the Vocational Training Coordination Act, 1942 under the Department of Labour, and vocational training for discharged members of the armed services. We look on that as educational costs rather than post-war veterans' rehabilitation costs. So it should not be construed from these figures that, while there is an increase in the federal expenditure on education, that represents a direct payment by the federal government towards what are commonly understood as being educational systems maintained by the municipalities.

Hon. Mr. EULER: May I ask a question?—I understood when the committee first assembled that it was the opinion of the majority that we could not very profitably go into various items of expenditure, and that we were going to confine our efforts this year pretty much to having people come here, experts, some from the United States, some from Canada, to give us a sort of over-all picture of the reasons for the expansion, and that sort of thing. Now, I think we are doing just about the same as we did last year, and in a similar way. I am just wondering what we get out of this, and are we departing from what, to my mind, we decided on doing.

The CHAIRMAN: There is something to that point, Senator Euler, all right. We must try and keep ourselves, if we can, to the increase in the over-all expenditures and the increase in taxation. I think the really important point that not only this committee but parliament and the country have to realize is this, that our expenditures, no matter how worthy they may be, under these different headings of expenditures that we have outlined before us in this report from Mr. Lowther, are tending steadily to rise. We see a steadily rising level of taxes; we see some provinces and many municipalities hard put to it to find where they can levy some additional taxes. The moral, it seems to me, that we may be able to draw from that is that we are increasing our expenditures at a rate much beyond the increase in our total production,—I mean, in actual production. The figures of our production are disguised very greatly by inflation, and we must keep that in mind. But speaking for myself, the more I study these figures of expenditures and of revenues, the more I observe the problems that all governments have in financing the operations they undertake, the more convinced I am that we are putting a burden upon our productive power in this country that is soon going to reach, if it has not already reached, the line of diminishing returns, and that is a thing that is very very important for the national welfare, as it is for the individual. If the individual, in the conduct of his personal business, is spending at a greater rate than he is producing, there is only one end to his show.

Hon. Mr. LAMBERT: Mr. Chairman, may I interrupt your sequence of thought for a minute?

The CHAIRMAN: Yes.

Hon. Mr. LAMBERT: Would Mr. Lowther be able to give us any light on the national welfare items, which now amount to over a billion dollars a year, including the cost of veterans' pensions and after care and the total charges for public welfare? Have you any basis on which you can compare this expenditure in relation to Canada and any other country?

Mr. LOWTHER: No, I have not.

Hon. Mr. LAMBERT: A country with a similar national income?

Mr. LOWTHER: No, I have not, sir.

Hon. Mr. LAMBERT: It would be possible to get that information, I suppose. I am not suggesting that it is the function of the Bureau of Statistics to do it, but the Department of National Welfare might have it.

Mr. LOWTHER: It would be possible to get relatively approximate expenditures of the same kind for other countries, I presume. Maybe not for such a late fiscal period.

Hon. Mr. LAMBERT: Well, would we be justified in assuming that the total figure for this current fiscal year would be probably a couple of hundred million dollars higher than that?

Mr. LOWTHER: I would not want to say whether it would or would not. A lot will depend, as the Chairman mentioned a few minutes ago, on the program of old age pensions, which may have a material effect on these totals.

Hon. Mr. LAMBERT: It practically means that one-third of our expenditures are now devoted to these items of pensions and national welfare.

Mr. LOWTHER: Well, practically one-third for the year in question.

Hon. Mr. LAMBERT: That is what I mean. These figures show \$3,496 million, and the total figure is something over a billion (and a half). So we have roughly one to three and a half.

Mr. LOWTHER: Yes.

Hon. Mr. LAMBERT: I think it would be interesting to try to relate that total item to the total expenditure and also our national income in comparison with other countries. For example, I believe that Sweden had an experiment of this kind, and it had to abandon it years ago because it was found economically impossible to support it. I may be wrong, but if my memory serves me right that actually happened. Now if economic conditions in Canada are affected to any extent, say by a possible cessation of war efforts, thus reducing our national income figure, the national welfare figure would remain practically the same, or increase; and I think that we should attempt to draw some conclusions, at any rate, regarding the percentage of that expenditure on national welfare in relation to our capacity to bear it.

The CHAIRMAN: Did I understand you to say, Mr. Lowther, in answer to Senator Lambert's question, that you would estimate our total overall expenditures at all levels of government under this heading of Public Welfare at a billion dollars?

Mr. LOWTHER: Well, Senator Lambert was including the figure for veterans' pensions and aftercare. The two figures together amount to a little over a billion dollars.

The CHAIRMAN: Can you give the committee any estimate of what these corresponding figures might be for 1951?

Mr. LOWTHER: No, I could not. Family allowances for 1951 are estimated at \$322 million, including administration, so as compared with the item of 1949, which is \$300 million, we find an increase of \$22 million. Old age pensions would obviously reflect a greater expenditure than is shown here, as the result of the program now under consideration.

Hon. Mr. GOUIN: It would mean in all events that public welfare is increasing all the time. It would be interesting if we could have the proportion of that increase, but we cannot get an accurate picture of the situation because the inflation factor distorts everything. We receive a certain amount of money but it does not have the same purchasing power as it had before, and so on. You would have to reconcile the value of our Canadian dollar in 1939 as compared with 1949, and so on.

The CHAIRMAN: Are there any further questions? We have a great maze of figures before us.

Hon. Mr. BARBOUR: There must be a cause for the increased cost of provincial governments. I suggest that the increased cost of living is one of the first charges

on the civil service of the provincial governments. Then, on account of the inter-provincial agreements that have been made during the last two or three years, I think in some cases the dominion government has deliberately spent more money in order to make a more favourable agreement when the time comes. I think that has something to do with the increased cost of provincial governments.

Hon. Mr. ISNOR: I should like to have a word following up Senators Euler and Lambert. I do not think it matters which year you take. I thought your steering committee had under consideration—and I hoped you would make a report either at the last meeting or today—as to how we would travel along our road of investigation with a view to ascertaining our total income and what amount we are paying out, particularly in relation to our social services and in comparison with other countries. I thought we were endeavouring to find out whether we could afford to continue on our present scale of increase or whether we should decrease our spending. I thought that was what the steering committee was going to do. Did your steering committee consider that angle as we suggested it at our first and second meetings?

The CHAIRMAN: I should think that we should not ask Mr. Lowther any question that might imply criticism of public policies, and what he thinks might happen in certain eventualities. After all, Mr. Lowther is a civil servant. He has given us a very excellent analysis of the sources from which our taxes arise at all levels of government. He has also told us what is done with that money at all levels of government after it has been obtained. These figures have been compiled for us so that we can get a fairly accurate picture, for instance, of what the nation is spending on public health and welfare, education, transportation, highways, bridges, and so on; what it is spending on national defence. Then we have under public welfare the items broken down under half a dozen headings. This is very useful information if we want to get a true picture of our whole national economy. Then on the revenue side we find where the taxes come from. There is one group of personal income tax, corporate income tax, corporate taxes, withholding taxes. Then the next group is indirect taxes, custom and excise taxes, gasoline taxes, liquor, tobacco and general sales taxes. For instance, it is interesting to note on the general sales tax in 1939 we took \$144 million out of the Canadian people. In 1949 we took \$478 million out of them. With the increase in the sales tax that item will be up in 1951, assuming that we do the same volume of business nationally. I think it is very useful information in getting an analysis of the state of our economic health.

Hon. Mr. ISNOR: I do not wish to ask Mr. Lowther any embarrassing questions in regard to policy. I appreciate the fact that this is a very valuable document. I was trying to find out whether your steering committee had considered the all-over picture and were in a position to report as to our future program. On two occasions you told us that the steering committee would take up this matter and make a report. Have you considered the program?

The CHAIRMAN: Would you care to answer that, Mr. Lowther?

Hon. Mr. ISNOR: I am not asking Mr. Lowther, I am asking you, Mr. Chairman.

The CHAIRMAN: I am afraid you will have to repeat it.

Hon. Mr. EULER: He wants to know what your steering committee proposes to do, especially with regard to the decision arrived at that we are not going to go into a discussion of more or less small items, but in making a general survey of finances because of inflation. We should get some one here who can give us an intelligent opinion on this—and of course, that is no reflection on the present witness. I thought we were going to proceed entirely different from last year, leaving out any discussion on the small items. I think we are wasting time.

Hon. Mr. ISNOR: May I put it another way, Mr. Chairman? In business one estimates the amount of business he is going to do for the year, say 1950. We know what we have taken in here over a period of years, as shown by this table, from 1939 to 1949; we know what certain of our expenditures are. I thought that perhaps the committee would make a survey as to the possibilities of further expenditures along the line of social services, as mentioned by Senator Lambert, and consider whether Canada was in a financial position to embark on a further program of that nature. My understanding further was that your Steering Committee would think over that angle and make a report to us. I am asking you, did you do so and are you prepared to make that report today?

The CHAIRMAN: If I understand your question correctly, that would involve an examination of our economy, and in the light of that examination perhaps a judgment could be reached as to the desirability of increasing welfare expenditures. Is that what you mean?

Hon. Mr. ISNOR: Something like that. I want to know whether your committee met and laid out a program.

The CHAIRMAN: The answer to that must be no.

Hon. Mr. ISNOR: No what?

Hon. Mr. EULER: Just "no".

The CHAIRMAN: What we are conducting now is an inquiry to enlighten us on the total volume of expenditures, and particularly the effect government spending has on inflationary pressure.

Hon. Mr. EULER: Is that the determination of your Steering Committee? Have you met and have you decided that we will proceed along certain lines?

The CHAIRMAN: No, that was not the decision of the Steering Committee; that was the decision of this committee at the commencement, when we decided to drop for this session the examination into individual departments, because of the lack of time. That was a decision of the committee.

Hon. Mr. GOLDING: Mr. Chairman, I do not know but I imagine the other members of the committee are somewhat in the same position as I am. I do not worry about the revenues and expenditures as long as there is a full employment and revenues are buoyant and you are making ends meet. What does concern me is when any government, or municipality, becomes involved in fixed expenditures from which there is no withdrawal, should the revenues cease to be as buoyant as they are today. I think the government should always keep that situation in mind, before it becomes involved too deeply in fixed expenditures.

Hon. Mr. REID: May I ask the witness a question? I do not know whether he had anything to do with the information placed before the committee about National Income and Gross National Expenditure, but if he did I would point out to him an item that rather intrigues me. It shows Salaries, Wages and Supplementary Labour Income at \$8 billion 300 million; that is personal income. Personal expenditures are shown at \$11 billion \$810 million. I was wondering how one could reconcile the difference of approximately \$3 billion? Where did it come from? That has to do with personal expenditure on consumer goods and services, of \$11 billion \$810 million, out of an income of \$8 billion 300 million.

Hon. Mr. LAMBERT: You would have to add the investment income; you would not have a deficit then of \$3 billion.

Hon. Mr. REID: That may be the answer.

Hon. Mr. LAMBERT: People spend their wages and their investment incomes.

The CHAIRMAN: Are there any further questions to be asked on these statements? Mr. Lowther has explained the method by which they are arrived at. If there are any further questions Mr. Marshall, who is the Dominion Statistician, is here with one of his assistants. I understand they can give us some information on what is called our Gross National Product and the method by which we arrive at the net national income.

Hon. Mr. LAMBERT: That is very important.

The CHAIRMAN: I think there is general agreement amongst economists who study these matters about Gross National Product and net national income, that they should have a very direct relationship to the total volume of spending. If we are spending too lavishly in comparison with our total income, we are either going in debt or it is disguised by inflation. That to my mind is the most crucial thing today: There is no doubt that the inflation we have has tremendously disguised our whole economic situation. We have a dollar today which is worth in purchasing power a little more than half of what it was worth twelve years ago. We can see huge figures in dollars of our national production and our national income, but when we put those dollars back to the level of 1939 dollars, the picture is vastly different. All we are doing is deceiving ourselves. Are we through with Mr. Lowther?

Hon. Mr. ISNOR: I have one further question to ask of Mr. Lowther concerning the first item, Debt Charges, which shows a total item of \$492,265,000. The provinces, I note, decreased between 1939 and 1949 by something like \$7 million; the municipalities also show a decrease, but the federal shows a very large increase. Would Mr. Lowther tell us as to where the large increase took place?

Mr. LOWTHER: It would result from the extensive incurring of public debt that was necessary to finance the war.

Hon. Mr. ISNOR: 1939?

Mr. LOWTHER: The federal debt has increased tremendously since 1939, and that would automatically result in an increase in interest on the public debt.

For instance, the federal debt at the end of 1948 had reached a total of over \$17 billion. Even in 1944 it was \$15 billion. In 1939 it would be considerably less than that. The net debt at the end of 1939 of the federal government would be just a little over \$3 billion. The increase could not help but be reflected by a substantial increase in your debt carrying charges.

Hon. Mr. GOLDING: If the witness would just call the attention of the committee to these pages that he is now quoting from, I think the members of the committee will get some mighty valuable information in those few pages in regard to debt and expenditure and things of that kind. It goes back for more years than we are dealing with here, and it is all available in that book.

Mr. LOWTHER: For the sake of the record, Mr. Chairman, I was referring to the section on Public Finance, 285 and following pages, in the publication "Canada, 1951", a hand-book which is published by the Dominion Bureau of Statistics.

The CHAIRMAN: Copies of that would be available for members?

Mr. LOWTHER: Oh, yes. They have been sent out.

Hon. Mr. McDONALD: Might I ask Mr. Lowther what is included in item 18? There is a large expenditure there, increasing from \$185 million to \$494 million.

Mr. LOWTHER: That item includes mainly the overhead expenses of the government; for instance, in the case of the federal government; Department of Finance; Civil Service Commission; Secretary of State Department; part of the Department of Trade and Commerce; the Department of Immigration; External Affairs; the Royal Canadian Mounted Police; the Senate and House of Commons; all those service departments rather than the departments which render service to the public, so to speak.

Hon. Mr. McDONALD: Could I find from these or other records anywhere the total expenditure for publicity by the federal government?

Mr. LOWTHER: Not from our statements; but I believe that in the statement that Mr. Bryce was reviewing with you previously some reference is included. For instance, item 10 of the statement, "Films, Displays, Broadcasting, Advertising, etc." That might be so; I do not know; I would not want to comment on that myself. But it may be from Mr. Bryce's statement he could give you the information you want.

Hon. Mr. McDONALD: I was unavoidably absent last week, Mr. Chairman. Perhaps you can tell us. Is the total publicity all included under item 10?

The CHAIRMAN: No. The only explanation there is of that will be found on the back of this sheet (referring to Summary of Standard Objects of Expenditure and Special Categories, appearing as an appendix to the Estimates for the Fiscal Year ending March 31, 1952).

10. Films, Displays, Advertising and Other Informational Publicity with the exception of Publications.

Includes provision for Films, Displays and other Visual Materials; Advertising for publicity and general purposes such as for bids, tenders, purchase or sale of properties and publication of proclamations, announcements, notices, etc., and other forms of educational and informational publicity by Radio, Poster, Press and other means. Total provision for the National Film Board is coded to this Item.

Hon. Mr. McDONALD: We can work that out ourselves.

The CHAIRMAN: Well, Mr. Lowther, we have not discussed that item yet on the first page of this document (referring to mimeographed Summary of Annual Estimates), but we might be able to get more details from Mr. Bryce when he will be here on Thursday.

Hon. Mr. GOUIN: Part of number 9 deals with Publicity.

The CHAIRMAN: Yes. We want more to keep to these figures that we have here today. Any further questions? I have just one question. I want to ask Mr. Lowther—can you give us any data, provisional in character, of what the total expenditures estimated for 1950 and 1951 are?

Mr. LOWTHER: Well, as indicated in the small sheet in the folder which we are looking at, there is an approximate figure for 1950 where we estimate that total expenditures for all levels of government, exclusive of inter-governmental transfers, run in the neighbourhood of \$4,105 million. For 1951, as I indicated previously, while we have not final data available, based on a very, very rough survey of such information as is available, it would appear that the combined expenditure of all levels of government in the current fiscal year to March 31, 1952, will run pretty close to \$5 billion—federal, provincial and municipal. That will be dependent, I might add, upon a number of factors; for instance, the extent that the provinces and municipalities as well as the federal government are able to carry out their capital expenditure program as presently envisaged. It may be that with the changeover from civilian to defence production and preparation for the national defence, materials and supplies and labour that might otherwise be available for capital construction work will not be available. It may be that both the provinces and municipalities might have to curtail on that account their anticipated expenditure program.

Hon. Mr. LAMBERT: The increase in defence expenditure will pretty near bring that up to \$5 billion—alone?

Mr. LOWTHER: Yes.

Hon. Mr. ISNOR: Will you give us a definition of the term "National Income and Gross National Product"?

Mr. LOWTHER: That is a little bit out of my field, sir. However, there are other officials here who could give you that definition.

Hon. Mr. ISNOR: I thought, on account of the financial angle, you might answer that from the financial standpoint.

Mr. LOWTHER: Well, it is a subject which other people are more familiar with than I am, and I would not care to attempt to give you a definition of it.

Hon. Mr. ISNOR: That is all right.

The CHAIRMAN: Any other questions? If not, we will excuse Mr. Lowther and thank him for his presence here today and for the information he has given us.

Mr. Marshall, would you be good enough to give us some data on national gross production figures and national income figures, and how we arrive at them? I daresay that all members of the committee are well aware of the fact that Mr. Marshall is the Chief Dominion Statistician, the man who supervises the gathering of all these statistics. I think it is a fact that there is scarcely anything connected with the public business of Canada in any of its fields upon which definite information cannot be secured from our Bureau of Statistics. It is probably one of the most efficient bureaus that serves any government in the world. Now, with that little bouquet, Mr. Marshall, perhaps you could tell us what is meant by gross national production and the net national production, and how the difference between the two arises, and just what is the most useful figure for us to take for the economic state of our health.

HERBERT MARSHALL, Dominion Statistician: Mr. Chairman, and senators, I shall certainly do my best after that nice bouquet which the Chairman has presented to the Bureau. I may say that in following the discussion here this morning I have come to the conclusion that it might be a good thing if we arranged for each of the Committee members to have a copy of this pamphlet or report which I have in my hand: National Accounts, Income and Expenditure, Revised Preliminary for 1950. This report goes to great lengths to explain the various items in our national accounts and our national income statements. It has a lot of definitions at the beginning. There are so many items and so many classifications in these national accounts and national income statements, that it would be rather difficult for me in a short space of time to satisfy all the questions which you may have. What I would suggest is this, if it is in order for me to make a suggestion.

The CHAIRMAN: Quite.

Mr. MARSHALL: I would suggest that we put in the hands of all of you a copy of this report. The script part of it is not very long. It could be read and thought over and then I would come again, if you wished, and bring along with me our best experts on the national accounts and the national income. In that way I think you would have a profitable discussion and I feel sure you would understand how these accounts are made up. During the course of this morning's discussion the figure of \$8,300,000,000 for salaries, wages and supplementary labour income was mentioned. Well, of course, that is only one item in the national income. You have to add to that the military pay and allowances of \$137 million; the investment income of \$2,996,000,000; then the income of agriculture and other unincorporated business, and that gives you a net national income for the year 1950 of \$14,308,000,000. In order to get at what we call gross national product at market prices we say that this \$14,308,000,000 is net national income at factor cost. That simply means, of course, that these figures here indicate the costs or the receipts, as it were, of the various factors of production. We all know that the factors of production are land, labour and capital. In labour you have the salaries, wages and

supplementary labour income of \$8,300,000,000. Then, of course, you have military pay and allowances, which is another type of labour. Then the income from capital, \$2,996,000,000. Then there is other capital from the farm and other unincorporated businesses. You include also the income from land. So these are the amounts of income from the various factors of production: land, labour and capital. Then, in order to get at what we call the gross national product at market prices you have to add something to these costs of labour, capital and land. You have to add the indirect taxes less subsidies of \$2 billion, and depreciation allowances and similar business costs of \$1,471,000,000. Then at the end you get the gross national product at market prices. So that is the income side. Then you have the corresponding table on the other side of the page where we show what has been the disposition of this income in the year 1951. Some of it is related to personal expenditure on consumer goods and services, \$11,810,000,000.

Hon. Mr. ISNOR: Would you enlarge on that first item?

Mr. MARSHALL: On personal expenditure on consumer goods and services?

Hon. Mr. ISNOR: Yes.

Mr. MARSHALL: That means the purchasing of food, clothing, and so on. If you go to the barber and get a haircut, that is taken into consideration, and so on. All these things come under the first item. Then comes the item of government expenditures on goods and services. Then there is the item of gross home investment. There is investment in plant, equipment and housing. Then there is the item of change in inventories. That all goes on the expenditure side.

Hon. Mr. ISNOR: Before you leave that item of change in inventories, what does this figure of \$805 million mean?

Mr. MARSHALL: This means the accumulation of inventories during the year 1950. You consider the inventory value at the beginning of the year and the one at the end of the year, and these figures are the result.

Hon. Mr. ISNOR: By whom?

Mr. MARSHALL: Business firms, wholesale and retail stores, and so on.

Hon. Mr. LAMBERT: Rising prices have a good deal to do with this.

Mr. MARSHALL: That is true, but we have in another table made a calculation of national income deflated. That is based on 1939 cost in dollars.

The CHAIRMAN: We have not got copies of this report, but Mr. Marshall has been kind enough to say that he can supply us with them. May I suggest that we wait for an examination of this until we have these copies before us? We should have an opportunity of examining it. Then some day this week Mr. Marshall, if you and your assistants could come over when the Senate rises, we might take a couple of hours in the afternoon to go into this. Would that be convenient to you?

Mr. MARSHALL: I would be very glad to do that.

The CHAIRMAN: Does that meet with the wishes of the committee?

Hon. Mr. GOLDING: I think that is a good idea.

The CHAIRMAN: I have a feeling that we are proceeding a little in the dark here.

Mr. MARSHALL: May I make one more suggestion? One question which came up this morning was as to the percentage of our gross national expenditures which was devoted to welfare services. We could get that figure for you; as a matter of fact, we can give a figure now, but it is a rough approximation. Our recollection is that it is about 7 per cent of our gross national expenditures, and that figure approximates the percentage in the United States and is a fair amount lower than the percentage in the United Kingdom.

Hon. Mr. LAMBERT: That is very useful.

The CHAIRMAN: That is the gross national product?

Mr. MARSHALL: The gross national expenditures.

The CHAIRMAN: What is the most useful figure to take, the net national income or the gross national product?

Mr. MARSHALL: It depends a lot on what you are to use it for.

Hon. Mr. LAMBERT: In the particular question I asked this morning it was based on the total expenditure at the 1949 figure, of practically \$3½ billion. Veterans' pensions and aftercare, plus the total of public welfare, amounted to something over \$1 billion. I assume that about one-third of the expenditures for a year is represented in these social services.

Mr. MARSHALL: Yes.

Hon. Mr. LAMBERT: I mentioned that just by way of example to try and figure out a comparison of percentage to see whether the country could afford to devote that much to that sort of thing. One might say the same about national defence, although there is no limit to what the country can afford when it has to spend the money. I do not know whether you would put Public Welfare and National Defence in similar categories.

Mr. MARSHALL: It would be difficult for us to give an opinion, of course, as to the amount that could be spent for such things as that, but we can do something about percentages based on the actual facts.

Hon. Mr. LAMBERT: You mentioned the figure of 7 per cent of national income, which I know is the general basis on which social welfare expenditures are made; but that national income figure is going to decline a lot faster than social welfare charges will decline, should we run into anything like economic adverses. We must think about a mean level of these expenditures in relation to income.

Hon. Mr. REID: May I ask Mr. Marshall if the 7 per cent applies to all governments?

Mr. MARSHALL: That is for the total social welfare program in Canada, I understand.

Hon. Mr. REID: The reason I asked the question is that I know many municipalities spend more than 7 per cent for social welfare. Perhaps spreading it over the provinces and the Dominion, it might average out to 7 per cent.

Mr. MARSHALL: I have just given this figure from memory. I did not look it up before we came here, so please do not regard it as final. We can ascertain the precise figure for you later.

Hon. Mr. GOUIN: It would be interesting to know what proportion of expenditures for public welfare is represented in our total national expenditures.

Mr. MARSHALL: Yes.

The CHAIRMAN: I would suggest, Mr. Marshall, that it might be useful also to have the relationship of that percentage to the net national income—is that the way you describe it?

Mr. MARSHALL: Yes.

The CHAIRMAN: For instance, about \$1½ billion disappears in depreciation.

Mr. MARSHALL: Yes.

The CHAIRMAN: That is, all over Canada machines are wearing out; they are not as valuable at January 1, 1951 as they were at the same period in 1950, and consequently that amount disappears into thin air. Is it agreeable to follow the program that has been suggested?

Hon. Mr. GOLDING: Yes.

The CHAIRMAN: When could you let us have that information, Mr. Marshall?

Mr. MARSHALL: We shall send you the copies of the national accounts right away.

The CHAIRMAN: If it arrives before 6 o'clock I shall have it placed in the members' mailboxes. You will have a chance to look it over, and be prepared to meet after the Senate rises tomorrow afternoon.

The committee adjourned until after the Senate rises Wednesday, May 30, 1951.

APPENDIX "C"

COMBINED REVENUES AND EXPENDITURES—ALL GOVERNMENTS IN CANADA

Fiscal Years ended nearest to December 31, 1939, 1948 and 1949

STATEMENTS ATTACHED

Source: 1939—"Comparative Statistics of Public Finance", prepared for the Dominion-Provincial Conference on Reconstruction, 1945.

1948 and 1949—Based on compilations of the Dominion Bureau of Statistics and Bank of Canada, for comparative purposes.

Explanatory Note: The totals appearing on line 24 of the revenue table and line 19 of the expenditure table do not include inter-governmental transfers in the form of general subsidy payments, which are set out separately at the foot of each table. For instance, the Dominion B.N.A. Act and Tax Agreement Subsidies to the provinces are excluded from expenditures of the Dominion and correspondingly omitted from the revenues of the provinces. However, grants-in-aid for specific services, such as for health or old age pensions, are included as expenditures of the government making the grant but deducted from the gross expenses of the other level of government which received the grant.

These procedures are followed to avoid duplication in order to produce additive totals of both revenue and expenditure for all levels of government.

REVENUES AND EXPENDITURES FOR ALL GOVERNMENTS, WITHOUT DETAILS FOR 1948, 1949 AND 1950

	Fiscal Year Ended Nearest to December 31st (Millions of Dollars)		
	1948	1949	1950
REVENUES ¹			
Total	\$ 3,674	\$ 3,625	\$ 4,112
Federal	2,576	2,411	2,864
Provincial	635	703 ²	708 ²
Municipal	463	511 ²	540 ²
EXPENDITURES ¹			
Total	3,121	3,497	4,105
Federal	1,799	2,011 ³	2,518
Provincial	776	865 ²	936 ²
Municipal	546	621 ²	651 ²

Footnotes:

¹—Exclusive of Inter-governmental Transfers.

²—Includes Newfoundland.

³—Excludes \$62 millions debt assumed from Newfoundland.

NOTE:—The foregoing figures for 1950 should be viewed as approximations only as they are subject to revision and adjustment when final accounts for the fiscal periods concerned may be available.

COMBINED REVENUES—ALL GOVERNMENTS IN CANADA FOR 1939, 1948 AND 1949

SUMMARY BY SOURCES

Fiscal Years Ended Nearest December 31

(Thousands of Dollars)

Item No.		Total			Dominion			Provincial			Municipal			Item No.
		1939	1948	1949 ¹	1939	1948	1949	1939	1948	1949 ¹	1939	1948	1949 ¹	
	Taxes:													
	Income and Corporation Taxes—													
1.	Personal Income Tax	60,678	762,749	622,012	45,407	762,553	621,982	12,113	186	30	3,158			1.
2.	Corporate Income Taxes	89,452	623,029	702,876	77,920	536,782	601,415	11,082	86,247	101,461	450			2.
3.	Other Corporation Taxes	23,153	23,267	24,061	1,875 ²	3,505 ²	3,900 ²	21,278	17,762	20,761				3.
4.	Withholding Tax	11,122	43,445	47,475	11,122 ³	43,445 ³	47,457 ³							4.
5.	Sub-Total (Items 1 to 4)	184,405	1,452,490	1,397,024	136,324	1,346,295	1,274,772	44,473	106,195	122,252	3,608			5.
6.	Succession Duties	27,850	54,672	58,391		25,550	29,920	27,550	29,122	28,471				6.
7.	Real and Personal Property	248,922	341,265	375,501				5,504	4,709	4,779	243,418	336,556	370,722	7.
8.	Customs Duties and Other Import Taxes	106,819	223,786	220,403	106,819	223,786	226,403							8.
	Excise Duties and Sales Taxes—													
9.	Gasoline Tax	53,069	124,305	136,801				53,069	124,305	136,601				9.
10.	Liquor including Liquor Control	54,423	229,712	237,876	21,014	100,875	107,077	33,409	128,837	130,799				10.
11.	Tobacco	42,447	199,308	210,791	42,447	190,501	207,284	2,717	8,887	9,557				11.
12.	General Sales Tax	144,861	440,502	478,718	137,446	377,303	403,437	2,615	48,351	59,274	4,098	14,848	16,007	12.
13.	Amusement Tax	2,615	48,735	17,571		2,588		2,615	17,147	17,571				13.
14.	Other Commodities and Services	24,175	168,244	74,274	24,175 ⁴	169,244 ⁴	74,274		7,324	7,785	22,923	41,147	46,768	14.
15.	Other Taxes	25,547	48,471	54,553				2,624						15.
16.	Total Taxes (Items 5 to 15)	915,133	3,303,580	3,273,703	468,225	2,436,142	2,323,117	172,261	474,887	517,089	274,647	392,551	433,497	16.
	Licences, Permits and Fees—													
17.	Motor Vehicle	28,092	51,471	55,939				28,092	51,471	55,939				17.
18.	Other	18,498	30,793	32,656	2,542	2,977	3,430	8,975	16,118	16,356	6,981	11,698	12,870	18.
19.	Sub-Total (Items 17 and 18)	46,590	82,264	88,595	2,542	2,977	3,430	37,067	67,589	72,295	6,981	11,698	12,870	19.
20.	Public Domain	24,745	74,228	89,751	736	2,315	1,790	24,018	71,913	87,781				20.
21.	C.N.R. Income Surplus ⁵													21.
22.	Municipal Public Utility Contributions	10,181	20,415	24,378							10,181	20,415	24,378	22.
23.	Other Revenue	36,556	193,701	148,562	8,524	134,080 ⁵	82,881 ⁵	2,877	21,308	25,815	25,155	38,313	39,866	23.
24.	Total Revenue	1,033,214	3,674,188	3,624,809	480,027	2,575,514	2,441,218	236,223	635,697	702,980	316,964	462,977	510,611	24.

COMBINED EXPENDITURES—ALL GOVERNMENTS IN CANADA FOR 1939, 1948 AND 1949

CURRENT AND CAPITAL ACCOUNTS—SUMMARY BY SERVICES

Fiscal Years Ended Nearest December 31

(Thousands of Dollars)

Item No.		Total			Dominion			Provincial			Municipal			Item No.
		1939	1948	1949 ¹	1939	1948	1949	1939	1948	1949 ¹	1939	1948	1949 ¹	
1.	Debt Charges, Net, Excluding Debt Retirement.	264,300	475,136	492,265	151,653	395,242	408,232	60,719	51,491	53,323	51,928	28,403	30,710	1.
2.	Public Welfare—	47,145	137,738	183,363	1,153	11,091	19,451	30,432	93,425	127,564	15,560	33,222	36,348	2.
3.	Health and Hospital Care.	3,272	15,466	52,404	1,282	41,905	48,310	1,990	3,561	4,094				3.
4.	Labour and Unemployment Insurance.	82,629	10,092	10,558	23,620			42,811	6,927	11,050	16,198	4,065	5,508	4.
5.	Relief.	39,587	63,938	127,868	29,121	64,296	88,725	10,279	29,308	38,143	187	334		5.
6.	Old Age Pensions.		272,608	296,347		272,608	296,347							6.
7.	Family Allowances.	35,613	96,705	121,994	4,433	16,131	20,482	12,371	29,536	36,180	18,809	53,038	65,332	7.
	Other.													
8.	Sub-Total (Items 2 to 7).....	208,246	659,447	801,534	59,609	406,031	477,315	97,883	162,757	217,031	50,754	90,659	107,188	8.
9.	Education.	128,682	364,405	406,434	3,543	37,040	28,591	38,004	139,054	156,232	87,135	138,311	221,511	9.
10.	Transportation, Highways, Bridges, Airways, Railways, Waterways, etc.	163,159	467,703	514,825	46,041 ²	119,810 ²	157,612 ²	89,103	257,738	254,294	28,015	90,155	102,919	10.
11.	Agriculture.	89,498	99,971	106,544	53,151	67,879	82,339	7,347	22,092	24,205				11.
12.	Public Domain.	37,648	91,304	102,558	136,915	38,416	53,574	23,071	52,888	48,984				12.
13.	National Defence.	126,915	256,092	372,596	126,915	256,092	372,596							13.
14.	Veterans' Pensions and Aftercare.	55,267	235,578	202,466	55,267	235,578	202,466							14.
15.	Mutual Aid.		247											15.
16.	Expansion of Industry.	55	30,721	2,748	55	30,721	2,748							16.
17.	Price Control and Rationing.	185,644	450,257	494,596	60,140	212,565 ⁴	225,214 ⁴	38,756	89,794	110,629	86,748	147,868	158,763	17.
18.	Other Expenditures.													18.
19.	Total Expenditure.....	1,230,661	3,120,614	3,496,566	571,198	1,799,404	2,010,787	354,883	775,814	864,698	304,580	545,396	621,081	19.

INTER-GOVERNMENT TRANSFERS
NOT INCLUDED IN THE ABOVE
SUMMARY

20. Dominion Subsidies to Provinces.....	19,244	17,095	19,170	19,244	17,095	19,170	4,511	10,930	11,846			20.
21. Provincial Subsidies to Municipalities.....	4,511	10,930	11,846									21.
22. Tax Suspension Agreements.....		84,387	84,756		84,387	84,756						22.
23. Gasoline Tax Guarantee.....												23.
24. Interest on Common School Fund and School Land Fund Debentures.....	1,585	1,466	1,466	1,585	1,466	1,466						24.
25. Nova Scotia Highway Tax.....	465	321	246							321	246	25.
26. Manitoba Municipal Commissioner.....	763	1,314	473							1,314	473	26.
27. Total ⁶	26,558	115,513	117,957	20,829	102,948	105,392	4,511	10,930	11,846	1,635	719	27.

FOOTNOTES

¹ Preliminary; also includes Newfoundland for first time.

² Includes deficits (net after deducting profits) of miscellaneous government-owned transportation enterprises—Prince Edward Island Car Ferry, Hudson Bay Railway, Canadian National Railway, Trans-Canada Airlines, Quebec and Montreal Harbours, and Canadian National (West Indies) Steamships Limited.

³ Includes expenditures for the construction of highways and other public works that exceeded expenditures. See Footnote 6—Revenue.

⁴ Includes 345 (1943) and 1,433 (1949) for the operation of U.N. R.R.A. relief.

⁵ Includes transitional grant to Newfoundland of 6,500.

⁶ Discrepancies between the amounts shown on this table and on the revenue table as Inter-Governmental Transfers are due to variations in the fiscal years ends and accounting practices of governments.

Doc
1951

THE SENATE OF CANADA



Government
Publications

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 7

THURSDAY, MAY 31, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

APPENDICES

- D. Summary of Annual Estimates by Standard Objects of Expenditures and Special Categories—National Defence and Defence Production.
- E. Department of National Defence—Travel and Transportation Expenditures for Four Years.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

THE STANDING COMMITTEE ON FINANCE

The Honourable THOMAS A. CRERAR, P.C., Chairman.

The Honourable Senators

Aseltine	Golding	McLean
Baird	Gouin	Moraud
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Howden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Veniot
Farquhar	McDonald	Vien
Farris	McIntyre	Wilson
Fogo	McKeen	

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31st, 1952, in advance of the Bills based on the said Estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 31, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Crerar, Chairman; Aseltine, Beaubien, Euler, Golding, Gouin, Haig, Howden, Hugessen, Hurtubise, Isnor, King, Lambert, McDonald, Paterson, Petten, Roebuck, Taylor and Vaillancourt—19.

In attendance: The official Reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance, was again heard.

The following documents, filed by Mr. Bryce, were ordered to be printed as appendices to Proceedings No. 7:

“D”—Summary of Annual Estimates by Standard Objects of Expenditures and Special Categories—National Defence and Defence Production.

“E”—Department of National Defence—Travel and Transportation Expenditures for Four Years.

At 12.45 p.m. the Committee adjourned until Wednesday, June 6, 1951, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, May 31, 1951.

The CHAIRMAN: There being a quorum present, we shall proceed. This morning we have Mr. Bryce again, and we had better take him when we can get him; if he will come forward we will proceed. We hope to conclude with Mr. Bryce today, and in order to do so we will probably need to make progress more rapidly than heretofore.

What we will take up this morning is National Defence and Defence Production combined, which appear on the first page of the statement you have before you.

I have forgotten for the moment who it was, but someone asked for an analysis of travel and transportation expenditures under Defence. We had not reached that item, and perhaps we will just let this stand until we come to it. It is number 5 on the sheet before you.

The first item we have is "Civil Salaries and Wages." It will be kept in mind that this is in Defence Production, and apart altogether from the ordinary civilian business of government. This item shows an increase from \$2½ million in 1938-39 to over \$61 million in 1951-52, which again is an increase from \$44 million in 1950-51. Perhaps Mr. Bryce might give us a word of explanation about that item.

Mr. R. B. BRYCE: Well sir, perhaps I should say that the great bulk of it is the Department of National Defence itself. Defence Production is only \$3 million out of a total of \$61 million. Under National Defence, I believe, the Minister of National Defence has been giving an explanation in the House of Commons recently in regard to certain of the practices concerning the employment of civilians in lieu of military personnel, as well as civilians employed on construction projects and civilians employed in administration at headquarters. I think that it is already in *Hansard* fairly compactly. I have to admit that I have not been able to read it all over yet; I ran over it quite quickly last night.

The CHAIRMAN: I think the statement was made that we had either already or would have before long about 30,000 civilian personnel in the Defence Department. Any further questions on No. 1?

Hon. Mr. HAIG: No.

The CHAIRMAN: Then we will take No. 2, "Civilian Allowances". Just what is meant by "Civilian Allowances", Mr. Bryce?

Mr. BRYCE: That, sir, would be, I think, largely northern allowances and allowances for staff abroad, or a few cases, perhaps, of staff who get what we call terminable allowances that are really extra salaries for taking on for a limited period additional duties. I can think of one senior officer in the Department of National Defence proper who gets a terminable allowance for the fact that his duties are regarded as considerably larger than normal, because of the married quarters construction program that the Defence Services have undertaken for a period of two or three years.

Hon. Mr. HAIG: I want to say just one word. I am against all that kind of thing. A man can only do one service, and I do not think we should give special pay because he is doing something else. He cannot do his first job if he is doing something else. He can only do one job, and should get only one pay.

I can call myself this or that or the other thing, but that does not increase my efficiency one iota. This kind of thing is becoming too common, not only in the federal but in the provincial employment services, and I think it is a very, very bad principle, as either the man does not do the new job properly, or he neglects the old job. If he is an exceptionally efficient man he should be paid a bigger salary and given a bigger job.

Mr. BRYCE: Mr. Chairman, might I say a word of explanation on that? I am not very sure that the senator understood what I really was describing. In certain cases a particular job that a man is doing is temporarily a larger job than it normally is. If he is a permanent civil servant, the Treasury and also the Civil Service Commission have been reluctant to classify him in a higher grade for an indefinite or permanent period at the new level of duties, if the duties are such that it appears they will only last for a matter of two or three or four years. In such cases, rather than give him a higher permanent salary for the position, they add to the normal salary for the position a temporary addition.

Hon. Mr. HAIG: But he is not doing two jobs.

Mr. BRYCE: No, he is not doing two jobs.

Hon. Mr. HAIG: That is all I am objecting to, the doing of two jobs.

Mr. BRYCE: The job is temporarily at a higher level of responsibility than it would normally be.

Hon. Mr. HAIG: That is all right. I don't object to that. I object to two jobs.

Mr. BRYCE: I may say that these cases are always reviewed by the Civil Service Commission in the same way as they review the ordinary classifications for positions in the Civil Service.

Hon. Mr. HAIG: That is O.K.

Hon. Mr. GOUIN: Mr. Chairman, if I understand correctly, the description of civilian allowances includes a great variety of items. It starts with living allowances, special stenographic allowances, and so on, and ends up with expense allowances to senators and members of the House of Commons. There are all kinds of amounts which are grouped together.

Hon. Mr. GOLDING: That would not come under this item.

Mr. BRYCE: The allowances to members and senators, for example, would not come under this item but would come under "legislation". They would be under this column but under the appropriate department and not under National Defence.

Hon. Mr. HAIG: This is purely for National Defence.

Mr. BRYCE: Yes, and there are some in Defence Production, \$302,000.

The CHAIRMAN: That is roughly a little less than a quarter of the total amount.

Mr. BRYCE: Yes.

The CHAIRMAN: Are there any further questions on No. 2? Next is Item 3, Pay and Allowances, Defence Forces and R.C.M. Police. In 1938-39 the sum was \$11,395,000. For the period 1950-51, which is probably more comparable, the sum was \$138,346,000. This year it is \$209,184,000. There is one question I should like to ask. Under Item 3 of Civilian Expenses other than Defence and Defence Production, we have the Mounted Police included there.

Mr. BRYCE: Yes, sir.

The CHAIRMAN: They also appear here. Can you explain that?

Mr. BRYCE: We have used the general wording that appears at the top of the column of the large table. This particular figure of \$209 million is for the pay and allowances of the members of the military services.

The CHAIRMAN: There will be nothing in that for the police?

Mr. BRYCE: No.

The CHAIRMAN: That clears that point.

Hon. Mr. ISNOR: Mr. Bryce, does the Treasury Board ever figure as to gross payment of the various ranks of the army, such as captain, major and general, taking into consideration the rate of pay received, and the allowances in full such as housing and living expenses, and so on? Could you tell us what that gross sum would be for a captain, a major, and a general?

Mr. BRYCE: Well, senator, in the white paper that was tabled by the Minister of National Defence, those figures are given on page 14 and they show the basic pay for a major. I speak subject to memory but I believe that the basic pay for a major varies in accordance with the length of time he has served. That is, there is progressive pay depending on length of service up to a certain number of years.

Hon. Mr. ISNOR: Take any one of those figures.

Mr. BRYCE: The basic pay for a major is given at \$312 a month. If he is living out of quarters and not getting other rations or quarters, he receives in addition a subsistence allowance of \$98. He receives a marriage allowance, if he is married, of \$40. If he is separated from his family for service reasons and has one or more dependent children, he gets a separated family allowance of \$98 a month; so that, whether married or single, if he is not being supplied with quarters or rations he would get \$410 a month. Then he would get more if married, and more still if married and required to live apart from his family.

Hon. Mr. LAMBERT: What rank is that?

Mr. BRYCE: Major or the equivalent in other services.

Hon. Mr. ISNOR: In the case you have quoted it would amount to \$548 per month.

Mr. BRYCE: If married and living apart from his family. Perhaps I should say that normally when they are married and living apart from their families they would probably be furnished with quarters or rations because they are on duty at some place with a unit, or something of that sort. So he may not be getting subsistence allowance but getting subsistence in kind, but we normally regard that as the equivalent.

Hon. Mr. HOWDEN: What is the top amount he would get under any circumstances?

Mr. BRYCE: He might conceivably receive \$548 per month.

Hon. Mr. HAIG: He pays income tax though?

Mr. BRYCE: Oh, yes.

Hon. Mr. HOWDEN: \$548 a month, you say?

Mr. BRYCE: Yes, conceivably. Again I should say that this basic rate of \$312 is only one of a range depending on the length of time the man has served.

Hon. Mr. HOWDEN: He gets that on active service and also when there is no active service?

Mr. BRYCE: Technically I believe the army is on active service now.

Hon. Mr. ISNOR: Let me put this to you another way. In reference to this \$548 per month which a major may receive, his basic rate of pay is \$312 leaving \$232 additional in the way of expenses of various kinds?

Mr. BRYCE: Yes, \$236, sir.

Hon. Mr. ISNOR: Yes, \$236. That is the figure.

Mr. BRYCE: That is right, but which he receives only in certain contingencies.

Hon. Mr. ISNOR: Yes, I know, but he could receive \$236 extra?

Mr. BRYCE: Yes.

The CHAIRMAN: The amount he receives in certain contingencies will not be taxable.

Hon. Mr. HAIG: The contingencies would not be taxable.

Mr. BRYCE: I believe the subsistence allowance would be taxable but I am not sure that the separated family allowance is taxable. It is regarded as the reimbursement of additional expenses which the officer incurs by reason of being posted in a place where he cannot take his family.

Hon. Mr. HAIG: The income tax people do not give the prerogative to the members of parliament. I have a house in Winnipeg but the income tax people do not recognize the fact that I have to maintain one here while in Ottawa.

Mr. BRYCE: I am speaking from memory.

Hon. Mr. HAIG: I am speaking about facts.

The CHAIRMAN: Are there any further questions?

Hon. Mr. ISNOR: Yes, I want the last statement clarified. Prior to Confederation, civilian employees working for defence in Newfoundland were allowed a tax exemption. In so far as troops stationed in Halifax and Vancouver and other places are concerned, are officers who are transferred to these places allowed a tax exemption in regard to their married quarter expenses?

Mr. BRYCE: I do not believe, sir, that he would be allowed any exemption in respect of the value of married quarters provided to him, or of subsistence allowance. I am sorry that I cannot tell you the situation clearly in regard to the separated family allowance. I am not sure whether that is regarded as taxable or not.

Hon. Mr. ISNOR: I think we should have that cleared up, Mr. Chairman. It has a bearing on some other matters that may be discussed later, as to separated families.

Mr. BRYCE: I would be glad to get the facts and give them to the chairman of the committee, in regard to the extent to which the various emoluments are taxable and under what circumstances.

The CHAIRMAN: Would that be satisfactory?

Hon. Mr. ISNOR: That would be quite satisfactory. Would you mind giving us the same information in regard to a general?

Mr. BRYCE: If you wish I would have it related to this table which Mr. Claxton has put in his white paper, and that runs all the way from a private upon entrance, to a major-general.

Hon. Mr. ISNOR: Would you put the facts as to a major-general on the record in the same way?

Hon. Mr. HOWDEN: This impresses me as being very interesting, but, like the weather, there is nothing we can do about it.

Hon. Mr. ISNOR: I will not answer Senator Howden, except through you. This matter has a direct bearing on some other cases that we may have to consider, as to whether separate allowances are exempt.

The CHAIRMAN: Mr. Bryce has said that he can prepare a statement.

Hon. Mr. HAIG: I am not objecting to the question which my honourable friend from Halifax is urging, but I have the feeling in my heart that we should not go too strongly into the Defence Estimates. As far as I am concerned, I have no desire to do that, for we are in a war, and a lot of majors were killed in both wars. They do not get to be majors by somebody nodding their head at them; they generally get that rank because they are efficient soldiers. The whole Army depends on the men who lead them. The public may feel that these officers are getting too much, but I believe that we cannot compare a man on active service with any other field of employment. Most of us who are here can remember well the two World Wars. I recall, for instance, that a Winnipeg

battalion went into Vimy, a thousand men strong, and the regular complement of officers, and come out a hundred and twenty-five men and one officer. No money can ever repay the officers that led that battalion.

I do not object to my friend's questions, but like Senator Howden, I think we should slow down a little. I may see fit to object to the superannuation that certain officers receive after they retire, but during their active service period I do not wish to raise any question as to their being overpaid. I share the attitude of the people in my province, that if we can spend a little money now on defence and prevent another world war, then we should not stint our spending. This attitude may be wrong, but that is the view I hold.

The CHAIRMAN: I take it that what Senator Isnor has in mind is—

Hon. Mr. ISNOR: If you are going to answer for me, very well.

The CHAIRMAN: —to ascertain the principle on which the remuneration is given to officers. As I understand his suggestion, he took a major-general, for instance, and a major, with a view to determining what principle applied in the matter of taxation. That does not imply any criticism.

Hon. Mr. HAIG: That is the effect of it.

Hon. Mr. HOWDEN: It couldn't be anything else, when you investigate the pay of fighting men, now that a war is on.

Hon. Mr. ISNOR: Mr. Chairman, after the long speech that Senator Haig made implying certain motives on my part, I wish to say that I had no thought of questioning soldiers' pay. Halifax has had as many men in its garrison as Winnipeg has had.

Hon. Mr. HAIG: Maybe you have had more, but not as many men volunteered from Nova Scotia as volunteered from Manitoba.

The CHAIRMAN: Order.

Hon. Mr. ISNOR: Look at the Navy in the last war, that will satisfy me. We in Nova Scotia have always done our part; don't worry about that.

I do not want to make a speech like Senator Haig made, but I wished to ask a question as direct as possible with a view to using the information later on some constructive thoughts; superannuation will enter into the picture, and we must know the total wages and living allowance granted to the various ranks. I took only two, a major and a major-general. Instead of talking all around this question, I think we should get a direct answer from Mr. Bryce in regard to similar cases, so far as a major-general is concerned.

Hon. Mr. LAMBERT: Following what Senator Isnor has said, we are here to examine, or supposed to, the effect on public spending on the cost of living and inflation. How are you going to judge that unless you analyse typical cases? It is not attempting to probe into the question of whether a major is getting adequate pay or not. It is just Exhibit A and Exhibit B in relation to our general objective which, as I said before, is to determine the relation of public spending to inflation. How are we going to get that unless we have some basis for the Estimates?

The CHAIRMAN: Is it agreeable to the members of the committee that Mr. Bryce furnish us with a statement at a later sitting, of the principle applied in determining income tax payable by officers in regard to the various allowances they get?

Hon. Mr. LAMBERT: May I make this situation a little more clear? There is a very important point involved in this question. There is the old question of the standard at which the services are going to be maintained; it does not necessarily apply to only men on active service; there are officers in the regular forces who are, of course, to a certain extent always on active service. There is the

standard of pay received, the amount of separation allowance or living allowance, and also the standard on which they are retired and the pensions they receive.

The general principle adopted, as I understand it, since the reorganization of the department, is that men are taken into the services as young as possible; they are trained as general purpose personnel, perhaps to do office work or work in the field. They leave the service in the prime of life, at around 50 or 55 with a rank probably not higher than majority. If they are particularly good they are kept on and may reach the rank of colonelcy before retirement. I submit that this is a very important item in the standard of our expenditures in this country on National Defence, but it is not a criticism of National Defence. I think that a statement showing the pay and the basis on which men are retired should be given to us.

The CHAIRMAN: Would you suggest, Senator Lambert, that we get that information from Mr. Bryce as it applies from privates to major-generals?

Hon. Mr. LAMBERT: I do not want too much information, but I think we should take the ranks that Senator Isnor mentioned. It is almost impossible to think that a man would stay in the regular forces for 30 years and remain at the rank of private, and then be retired at the age of 50 when he is too old to be of use in modern warfare. I was thinking more of the rank of major or major-general.

The CHAIRMAN: Let us ask Mr. Bryce to give us the information that Senator Isnor has requested as it affects a major-general and a major.

Hon. Mr. ISNOR: He has given us the particulars about the major. All he has to do—and he has it right there—is to give us the figures for the major-general.

The CHAIRMAN: But what I had in mind was the application of income tax.

Hon. Mr. ISNOR: That is another question.

The CHAIRMAN: I suppose the same principle will run all the way through.

Mr. BRYCE: Yes, sir, the same principle with regard to taxability of the various allowances runs all the way through.

Hon. Mr. HAIG: How many major-generals are there in the Army?

Mr. BRYCE: I could only state this from memory, sir.

Hon. Mr. HAIG: On active service.

Mr. BRYCE: It would be of the order of about ten or a dozen.

Hon. Mr. HAIG: That is a very important inquiry, to find out how much those ten get. It is very important that we should have how much those ten men get! The country is going to be ruined if they are paid too much. I am in favour of Mr. Isnor being given that information.

The CHAIRMAN: Very good. Then we will get it.

Hon. Mr. ISNOR: That is a little bit of sarcasm. I am concerned with the principle involved.

Hon. Mr. HAIG: Oh, no. Perish the thought.

The CHAIRMAN: Will you give us the salaries now.

Mr. BRYCE: The basic monthly pay for a major-general, a rear-admiral, and air vice-marshal is \$786 a month. The subsistence allowance provided if in fact the officer is not provided with quarters and rations is \$135. The marriage allowance is the same as for the other officers that I spoke of,—\$40 a month. And the separated family allowance, in the relatively unlikely event that a major-general was required to live apart from his family, would be \$135.

Hon. Mr. ISNOR: And that totals \$1,057 a month? Is that right?

Mr. BRYCE: I think it is \$1,096.

Hon. Mr. LAMBERT: Are they given any housing accommodation?

Mr. BRYCE: Well, if he is furnished with married quarters he would not receive a portion of the subsistence allowance; and I believe, when they are furnished with married quarters, officers and men alike lose a part—I think it is \$10 a month—of their marriage allowance. Yes, \$10 a month is withheld, and a portion of the subsistence allowance.

Hon. Mr. HAIG: I think we ought to have that. We will save a lot of money by cutting that!

Hon. Mr. GOLDING: My understanding of the situation here was that the committee agreed not to go into particular details, but to get an over-all picture of government expenditure and try to relate that to inflation. Is not that what the committee has to do?

The CHAIRMAN: That is correct, but it may be rather difficult to get the dividing line. If we find that, in our judgment, there is, shall I say, extravagant or unnecessary expenditure in connection with some particular item of public administration, I think we are quite within our reference in examining into that, and if we agree to do so, reporting upon it. I have in mind, for instance, the matter of publications that we were considering a few days ago. It is quite within the scope of our reference to examine into the total expenditures and how they arise. However, we have got along very well.

Hon. Mr. GOLDING: On more than one occasion already this point has been raised when we attempted to spend too much time on one particular item. You wanted to get the general picture, and that is why we called these witnesses here.

The CHAIRMAN: Quite right. Now we can leave that matter, I think, and Mr. Bryce will supply us with this information. Is that satisfactory?

Hon. Mr. HAIG: Well, it is not, to me. I am opposed to this kind of inquiry altogether. I say that quite candidly. To inquire into what ten men out of our whole army are getting, whether they get \$10 a month too much or \$10 a month too little,—I don't believe in that kind of policy. I agree entirely with the honourable senator who has just spoken, that that will not accomplish anything for our committee, and will make us the laughing stock of this country. That is my opinion. I am in a minority. I know where I stand. I am willing to abide by the decision of the majority, but I am opposed to this.

The CHAIRMAN: We will settle this matter very quickly. All those who favour Mr. Bryce supplying us with this information will hold up their hands.

Hon. Mr. GOLDING: He has supplied it.

Hon. Mr. ISNOR: He has supplied the information. He answered the question I asked, and I am satisfied. I may use it later on.

The CHAIRMAN: Are you satisfied?

Hon. Mr. ISNOR: Yes, I am satisfied.

Hon. Mr. HAIG: Then we will let the matter drop. But I do not like the honourable member from Halifax (Hon. Mr. Isnor) suggesting that I don't know what I am talking about. I do know what I am talking about. I have been here a lot longer than my honourable friend, and I represented my native city in the legislature several times, and I was never licked once. In this matter I speak because I know. I do not want us to go into these estimates in that kind of a way. The senator knew before he asked this question what the answer was. It can only have been asked for some other purpose than helping us to solve the problems that we are facing, and I object very strongly to it.

The CHAIRMAN: Well, we will stop the discussion right here and we will take the next item, Number 4, "Professional and Special Services," \$8,700,000.

Hon. Mr. HAIG: What does that include?

Mr. BRYCE: Well, it is difficult to say what are the important categories for National Defence. I would believe that these include, outstandingly, architectural and engineering fields for the large construction program that is under way. That would fall under this category. I know there are some millions of that in this current estimate. Secondly, the services of the Canadian Corps of Commissionaires, in watchmen's duties, for instance in the dockyards, I believe. Thirdly, there is a certain amount for inspection services carried on by outside bodies to meet extra requirements, not the normal load.

Hon. Mr. HAIG: Does that include anything for the experimental inquiries that are made in the Army? At Fort Churchill they have an experimental station. Would it cover that?

Mr. BRYCE: That would largely be covered in the Defence Research votes themselves.

Hon. Mr. HAIG: Not under this?

Mr. BRYCE: No, sir. Now, if they hired an outside expert to do a special job, at a professional fee, for so much a day or so much for the job, it would come under this, yes.

The CHAIRMAN: Any further questions on Number 4? Number 5, "Travelling and Removal Expenses". This is up from about \$14,000,000 to \$22,300,000 this year. I think the explanation for that is fairly obvious.

Mr. BRYCE: Well, sir, a question was asked about these figures previously, and I had a table prepared setting the figures forth in some detail. If the committee wish, I could provide it for the record. I have copies here, if the honourable senators wish to look at the figures at the moment. It is an analysis that I was requested to obtain of the travel and transportation expenditures in terms of the strength of the services and civilians involved, and the average amounts per year before the war and in the recent years. This can either be put on the record, or distributed if you wish.

Hon. Mr. LAMBERT: Does that include the cost of moving troops overseas?

Mr. BRYCE: Yes, and it also includes the cost of the Canadian Pacific Air Lines Airlift to Japan for the year 1950-51.

The CHAIRMAN: We have copies here for each member of the committee.

Hon. Mr. HAIG: Let us have them, please.

(See Appendix for table on Travel and Transportation Expenditures for Four Years, Department of National Defence.)

Mr. BRYCE: The expenditure figures given here are the actual expenditures and not the amounts provided in the estimates. The figure for the fiscal year 1951-52 (estimated) is \$20,630,380. That differs slightly from the figure in the estimates. The reason for that figure differing from that shown in the large table is that we have not attempted here to deal with the Defence Research Board item or the Cadet Services.

The CHAIRMAN: The interesting thing about this table, which has been circulated, is that in 1938-39 the per capita expense for the active forces was \$76, is that right?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: For 1949-50 it was \$146. In 1950-51, \$234, and for 1951-52, \$229. I do not suppose there is any special explanation required here?

Mr. BRYCE: Perhaps I may draw the attention of the committee to the paragraphs on the second page. Paragraph 1 indicates the authorized allowances for meals and living accommodation when on travel status, and also the change that has occurred since before the war in the rates paid per mile to the railways for the transportation of military personnel. Perhaps I should read paragraph 2:

"The difference in the pre and post-war per capita costs is accounted for by the change in the nature of the armed services; in 1938-39 the Forces were composed of numerically small static groups functioning at relatively few locations whereas in post-war years, the strength of the Forces has been maintained at a much higher level, and in order to meet current requirements, the Forces have had to become a much more mobile force. The opening up of new training centres and the military development of the northern areas resulted in the greater movement of personnel and dependents which is reflected in the travel costs of each of the three Services."

Perhaps I might conclude by drawing attention to the last paragraph which notes certain special items in the last year: Enlistment, movement for training and some discharges, embarkation leaves, movement of part of Force to Korea. In the case of the air force it includes removal expenses of household effects formerly charged to "Freight and Express" properly recorded in 1950-51 under Costs of Travel and Transportation. It notes that the cost of the Canadian Pacific Air Lines Airlift is included at \$2 million, and the movement of the 426 Squadron from Tacoma, Washington, to Tokyo, Japan.

The CHAIRMAN: Is there anything further on this item? Then we will come to the next item, Freight Express and Cartage. Are there any questions on this? Then we shall take No. 7, Postage. Could you give us a word about this, Mr. Bryce?

Mr. BRYCE: Ordinarily it would cover the postage of the Department of National Defence mailed from other places than Ottawa.

The CHAIRMAN: Is the mail to and from the forces in Korea paid by the individual or is it at public expense?

Mr. BRYCE: Mail sent to the forces in Korea is, of course, normal mail from Canada. Mail sent by the forces is something else. I think the terms on which this is to be carried out are at the present time under discussion between the Post Office, National Defence and ourselves. I would be anticipating the decisions in those circumstances, but I believe I can say that the view of the Treasury Board has been that the cost of the postage should be borne by the Department of National Defence rather than by the Post Office.

The CHAIRMAN: I agree with that. Next is Item 8, Telephone, Telegrams and Other Communication Services.

Hon. Mr. HAIG: Some question has been raised about the use of the long distance telephone.

Mr. BRYCE: That matter has been noted in commenting on the figures for Civilian Requirements as something to be controlled by each department rather than by central agencies such as the Treasury Board. In the case of National Defence they have a large teletype service which carries the great bulk of their messages between different centres. Part of the cost of that teletype service will be in here because it involves the lease of certain wires. Part of it will be reflected in Pay and Allowances and Civilian Salaries because of the cost of the employees who operate it. I should say that this large communication and teletype network of the Department of National Defence has served civilian departments of the government as well in recent years, but it is necessary now for us to make other arrangements for civilian departments because, as the military traffic increases, there is not any longer room for the civilian departments' messages.

Hon. Mr. LAMBERT: The Department of External Affairs has a teletype service of its own too, has it not?

Mr. BRYCE: Yes, and so has the Department of Transport, as we noted some days ago.

Hon. Mr. HAIG: Those are not included here?

Mr. BRYCE: No.

Hon. Mr. HAIG: I am referring to long distance telephone calls within Canada. Is there any check on that at all? For instance, if I am in the armed services and I want to telephone from Ottawa to Winnipeg, how is that call checked?

Mr. BRYCE: Well, senator, within individual departments there is a check made in one manner or another. Perhaps I might say that we operate in the Department of Finance a switchboard through which go the private lines that the government has to Toronto and Montreal. We have several leased lines to both these centres which enable us to cut our long distance bills by thousands of dollars a month. I have arranged that our telephone office will note any excessively long conversations, which we pick up, of course, from the charges which we make to the department at so much a minute. The attention of the departments is drawn to any long conversations, that is conversations extending over a certain number of minutes. The attention of departmental officers is called to it so that they may see whether Mr. X or Mr. Y is frequently using the telephone for longer periods than would appear normal. That is the only check we are able to make, as a central agency.

Hon. Mr. HAIG: Has the Army a similar check on the long distance telephone calls, through their central operator?

Mr. BRYCE: Yes, sir; but, of course, with their huge organization they would no doubt have to decentralize any scrutiny of this kind. It is exceedingly difficult to judge when it is necessary for a man to use the long distance telephone.

Hon. Mr. HAIG: In case, for instance, of an attack upon Canada by Russia by air, would their inter-communication systems be interrupted? Your telephone system of course would be.

Mr. BRYCE: That is something on which I have information and opinion, but I am not sure I should state it.

Hon. Mr. HAIG: All right, I will not press the question.

Hon. Mr. LAMBERT: There is no control of the subject matters of these long distance telephone or teletype messages; in other words, you have a check on the length of the conversation, but you must depend entirely on the discretion of the departmental people who use the telephone to decide whether or not the business is urgent enough to indulge in a long distance message?

Mr. BRYCE: Yes. Of course within our own department, as an example, each month the long distance telephone bills are scrutinized by the senior officers of the department that are concerned, and each individual has to be responsible for the calls he has placed, and he has to be in a position to explain why it was necessary for him to use the long distance telephone.

Hon. Mr. LAMBERT: I have no doubt at all that this item could be cut in half, if there was a conscious appreciation on the part of the people who use the telephone—

Hon. Mr. HAIG: Hear, hear.

Hon. Mr. LAMBERT: —as to the importance of the occasion for using it. But that is true in every business office in Canada, except that they can check up in ordinary instances.

Hon. Mr. HAIG: It is awfully hard to do.

Hon. Mr. LAMBERT: It gets to be a mania.

Hon. Mr. HAIG: Yes; I entirely agree with what you say, but I say that it is hard to check it.

Hon. Mr. LAMBERT: It is necessary to cultivate a supervision in the departments.

Hon. Mr. HAIG: There is one other point, Mr. Chairman, that I should like to call Mr. Bryce's attention to. I quite appreciate what his department is doing, but they are people who are used to using the telephone and they have early learned the cost of long distance phoning; but I do not think that is true of our Defence, where there are many people who have not been accustomed to using the long distance telephone. They might like the experience, and speak a little too long.

The CHAIRMAN: In other words, they might use the long distance telephone when an airmail letter would do just as well.

Hon. Mr. HAIG: And be better; or a night letter.

Hon. Mr. LAMBERT: Airmail services are so good now.

Hon. Mr. HAIG: I should perhaps say that if business is of an urgent nature, where a decision has to be made quickly, you can't beat the long distance telephone; but it has to be sufficiently important and involving enough to make it worthwhile. For instance, if one were buying grain and he had to get his tender in within a few hours, it would be well for him to call long distance; but if he had two days to place his tender, it would be a different matter.

Hon. Mr. LAMBERT: I suppose on most of the important messages there would be a written confirmation through the mail?

Mr. BRYCE: Yes. I think that in the armed forces the great bulk of messages that must go rapidly go by teletype, where there is a record kept.

It is only fair to point out that these figures include some cost for transmitting message for civil departments. In so far as it was necessary to maintain a communication network for National Defence and for Defence purposes, when there was any additional capacity the government gave instructions that civil message should be sent over it as long as such could be done without additional expense.

Hon. Mr. HAIG: But I must point out that this item \$3,689,000 is a lot of money for that purpose.

Mr. BRYCE: It certainly is.

The CHAIRMAN: But the total for the National Defence and Defence Production and such is \$8½ million. But this is a very considerable sum of money.

Hon. Mr. HAIG: That is what I am getting at.

Hon. Mr. HOWDEN: Mr. Chairman, I do not like to appear ridiculous, but what rankles in my mind is that we have no authority to whom we may appeal for advice when we find that some items are superfluous. We take it as it is printed, and I don't see that we are getting anywhere.

The CHAIRMAN: Criticism of the items may be useful in certain places. Is there any further discussion on that item.

Hon. Mr. HAIG: Passed.

The CHAIRMAN: We come now to Item 9.

Hon. Mr. LAMBERT: Could you take Items 9 and 10 together; they are the same.

The CHAIRMAN: Perhaps we can take Item 9 first. The total expenditures for all government departments is more than \$6 million; of that the Defence and National Defence is about \$2¼ million.

Hon. Mr. HAIG: Is that for printing orders and regulations?

Mr. BRYCE: Yes, that includes printing of orders, regulations, instruction manuals.

Hon. Mr. HAIG: That is the part that goes into the *Canada Gazette*; I see pages and pages of it.

Mr. BRYCE: No, that would be paid out of the King's Printer's Account for the *Canada Gazette*.

The CHAIRMAN: Does Item 9 include advertising?

Hon. Mr. HAIG: Pardon me, Mr. Chairman, I did not get the answer. I see in the *Gazette* pages and pages of military orders showing so and so being promoted. Who pays for that?

Mr. BRYCE: The cost of printing the *Canada Gazette* is borne by the King's Printer, out of a vote for that.

Hon. Mr. HAIG: The military does not pay for that?

Mr. BRYCE: No, they do not.

Hon. Mr. HAIG: Then there is none of that cost included in this item.

Mr. BRYCE: No; but that is a very small amount of the printing compared with the internal printing.

Hon. Mr. HAIG: What internal printing do they do?

Mr. BRYCE: They have a tremendous number of orders that are not printed in the *Canada Gazette*; there are many other printed orders, regulations and administrative matters.

Hon. Mr. LAMBERT: Mimeographed stuff.

Mr. BRYCE: Some of it is mimeographed, some of it would be multilith, some would be printed by regular letter press. They are saving a very considerable amount in recent years by using the multilith process.

Hon. Mr. LAMBERT: Have you any idea what is the cost of the annual report of the department, the blue book?

Mr. BRYCE: No, I could not say; it would be a very small fraction of this, probably a few thousand dollars.

The CHAIRMAN: Is advertising included in this item?

Mr. BRYCE: No; it is No. 10.

The CHAIRMAN: We will pass on to No. 10, Films, Displays, Broadcasting, Advertising, Etc., \$3,800,000. This has practically doubled since last year.

Hon. Mr. HAIG: Is that not to get recruits into the Army?

Mr. BRYCE: That includes a good deal for recruiting expenses.

The CHAIRMAN: I have noticed for several weeks that there are large advertisements appearing in the various newspapers encouraging enlistments. That comes under Item No. 10?

Mr. BRYCE: Yes.

Hon. Mr. ISNOR: We allowed Item 10 to stand; I think Senator Reid had some questions to ask of a general nature.

Hon. Mr. GOLDING: Not on this item.

Hon. Mr. ISNOR: No, but this is part of it.

Hon. Mr. LAMBERT: This is really half of the total.

Hon. Mr. HAIG: I agree with Senator Isnor, and I would suggest that this item be allowed to stand with the other one. Senator Reid wants to deal with the question of Films, and they are kindred subjects.

The CHAIRMAN: But not in relation to military expense.

Hon. Mr. HAIG: Maybe not.

The CHAIRMAN: I think we can pass on to No. 11: Office Stationery, Supplies, Equipment and Furnishings. This item has mushroomed upward from \$2,400,000 last year to \$6,300,000 this year.

Hon. Mr. HAIG: That is for equipment.

Mr. BRYCE: That is only office equipment, sir. I would not like to leave the impression that it was military equipment.

The CHAIRMAN: Tell me this. At the end of the last war there were thousands of desks and typewriters and adding machines and equipment of that kind.

Hon. Mr. LAMBERT: War assets.

The CHAIRMAN: Why is it necessary now to have so large an item here for office stationery, supplies and equipment and so forth? What happened to what was left after the last war?

Mr. BRYCE: Well, sir, we did save the typewriters and keep those for the government's future requirements, because it was realized that the government had a normal demand for typewriters at all times; but I think, with the exception of that item, the large stocks of these surplus things were sold for civil use. I think it was part of the government's general policy that excess supplies of a specialized character or things that were in excess of the government's normal requirements for a year or two ahead should be sold.

Hon. Mr. LAMBERT: War Assets Corporation handled those?

Mr. BRYCE: It was sold through War Assets. Of course one must recall that in 1945 and 1946 there was a shortage of goods for civil purposes, and I think it was the policy at the time to sell things like that—desks and adding machines—to meet civil requirements.

The CHAIRMAN: Could you give us any information as to the value secured on the sale of this equipment?

Mr. BRYCE: I fear you would have to get that from someone else,—War Assets, or Crown Disposal Assets Corporation, as it is now.

The CHAIRMAN: Do you know any instances of war equipment of this kind being disposed of through War Assets Corporation and having been repurchased?

Mr. BRYCE: I believe there has been some testimony on the part of officers of the Department of National Defence before the Public Accounts Committee on that subject. I have no further information than what has been provided there, and I would hesitate to try and recall the details.

The CHAIRMAN: Quite. That is Number 11. Now Number 12, "Materials and Supplies".

Hon. Mr. GOLDING: May I ask Mr. Bryce what is included in "Materials and Supplies". What is involved in this item?

Mr. BRYCE: Oh, it would include building materials, which are often required of course for the maintenance of the huge number of defence installations. It will also include fuel for ships, fuel for aircraft; it would include food and other supplies for operation of military camps and for airports. It is all the consumable stores for the vast organization which the Canadian forces now comprise.

Hon. Mr. ISNOR: Have we passed Number 4?

Hon. Mr. GOLDING: There is quite a set-up there, but if you know what it is for, it is not surprising.

Mr. BRYCE: No, sir. I think this is a fair measure of the scale of activity of the services; and of course in the past year and this year we have got not only larger services but they are carrying on much greater operations for example, in flying; they are operating of course in the field, in Korea, now.

Hon. Mr. HAIG: I don't see how we can understand the figures at all. I thing we had better pass them,—\$375 million, and \$362 million, and a little further down \$737 million. I don't see how we can figure those out.

The CHAIRMAN: We will come to those items. I agree with Senator Haig that when you take the total it looks a little staggering.

Hon. Mr. HAIG: It certainly does.

Hon. Mr. ISNOR: I have just one simple question I would like to ask Mr. Bryce in regard to Number 11. Has the Public Works Department any jurisdiction in regard to the purchasing of office supplies, equipment and furnishings in so far as the Defence Department is concerned?

Mr. BRYCE: I think, sir, it would furnish their offices in Ottawa with office furnishings. Whether it furnishes any offices outside of Ottawa I cannot tell from memory. But when one gets into the equipment and supplies, Public Works Department does not provide adding machines, typewriters, things of that sort. Those are purchased through the King's Printer. There is a question as to whether supplies required for the services of things like adding machines will be bought through the King's Printer, as the civil departments do, or through the Canadian Commercial Corporation or the Defence Production Department, as the military do for their other equipment; and I could not tell you where the boundary line is drawn. It is only an administrative boundary line.

The CHAIRMAN: So we pass that item? The next item is Number 13. Now this covers the general heading of "Buildings and Works, including Land". Number 13 includes Acquisition and Construction, and amounts to \$362 million. Now, that is up over \$300 million from a year ago. That, I suppose, covers all this expenditure everywhere for building airports, providing housing at airports, except at places like Churchill, and all that sort of thing.

Hon. Mr. McDONALD: Does the Public Works Department purchase for the Defence Department?

Mr. BRYCE: No. The responsibility for having construction work done on behalf of National Defence is now vested in Defence Construction Limited, and the management of the actual construction operations in turn, I believe, is carried out by the Central Mortgage and Housing Corporation, for a good many types of the construction. The airdrome development, the engineering work on runways and such are done by the Department of Transport, who do it for civil purposes, and do it on behalf of National Defence. They let the contracts and supervise the construction of runways, etc.

The CHAIRMAN: Defence Construction would supervise the building of new structures and development, as has taken place at Churchill?

Mr. BRYCE: Yes, sir. They make use of two corporate agencies: Defence Construction Limited, which is the body, I think, which lets the actual contracts, and the Central Mortgage and Housing Corporation provides certain inspection and other services in connection with the carrying out of those contracts.

The CHAIRMAN: These two agencies do this work on requisition from National Defence?

Mr. BRYCE: Yes, sir, and under the general supervision of the Minister of Defence Production.

Hon. Mr. McDONALD: Would it not have been sound economically for the Public Works Department to have looked after this purchasing for the Defence Department as well as other departments of government?

Mr. BRYCE: For the construction work, sir?

Hon. Mr. McDONALD: Yes.

Mr. BRYCE: Except that this program is so huge by comparison with their own that whoever undertook it would have to get together additional staff for the purpose, and the government came to the conclusion that it was easier to develop that staff in these forms that I have described than it would be to expand the Public Works Department for the purpose.

Hon. Mr. ISNOR: Could you break down those two items, Acquisition and Construction?

Mr. BRYCE: In the estimates the amounts are shown under the various services.

Hon. Mr. ISNOR: I don't want a lot of items. I just wondered if you had a division between the two.

Mr. BRYCE: Yes, I could quickly give you the amount appropriate to each service. There is \$3,350,000 for those purposes in Departmental Administration. Some of that is for civil defence, and Mr. Martin has explained that in the House. Under the Navy there is \$24 million for this item 13 for the current year. Under the Army there is \$75.5 million. Under the Northwest Highway System in the army there is another \$4 million.

Hon. Mr. HUGESSEN: The Northwest Highway System, is that the Alaska Highway?

Mr. BRYCE: Yes. In the Army there is also \$3 million for this item in the Reserve Forces of the Army. There is a small amount under the Northwest Territories and Yukon Radio System. It is about \$10,000. Under Air Force this item is almost entirely covered by the general heading for the Air Force as a whole, and there is \$194 million, to the nearest million. There is a small amount for what we call the Northwest Staging Route, which is the chain of airfields up to Alaska. The amount here is \$325,000. In Defence Research and Development there is \$6 million for this construction. I think that is all, sir. I am not sure that I have accounted for the total there.

Hon. Mr. HUGESSEN: More than half of it is for the Air Force?

Mr. BRYCE: The Air Force has far and away the biggest part of the construction program.

Hon. Mr. HUGESSEN: You said \$190 million, I think.

Mr. BRYCE: \$194 million.

Hon. Mr. HAIG: That is what you said.

Hon. Mr. HUGESSEN: Out of \$362 million.

Mr. BRYCE: Yes.

The CHAIRMAN: Is there anything further on Item 13?

Hon. Mr. HAIG: I do not suppose Mr. Bryce can answer this question because it may be one of policy, but who decided to spend all this money on equipment at Churchill?

Mr. BRYCE: All the construction at Churchill?

Hon. Mr. HAIG: Yes, the military equipment.

Mr. BRYCE: The decision to establish the Arctic base at Churchill was taken by the government itself some years ago after examining those places where Arctic research could be carried on most effectively. Churchill, of course, has the great advantage of being in the Arctic climatic area and yet it is at the end of a railroad. Now, the individual buildings and items of the program are considered from time to time on the recommendation of the Minister of National Defence, and they are approved in the estimates each year by the Treasury Board and the Cabinet.

Hon. Mr. HAIG: Thank you.

Hon. Mr. McDONALD: Mr. Bryce, I think Senator Isnor wanted that \$362 million broken down as between acquisition and construction.

Mr. BRYCE: Oh, I am sorry. The vast majority of it is construction. There would be the purchase of an occasional building here or there, but the very nature of the defence program means that the great bulk of the construction must be put at air force stations or army camps or the various places where there are not already civilian buildings.

The CHAIRMAN: Let us take the next item of \$30 million for Repairs and Upkeep. It was \$20 million a year ago, and \$15 million the year before that.

Hon. Mr. HAIG: We have no way of telling whether it is good, bad or indifferent.

The CHAIRMAN: What is it?

Mr. BRYCE: I should say in answer to that question that because of the nature of the buildings which were created here for the services during the war, this item of Repairs and Upkeep is very high because the services got along very largely by using temporary buildings. They had not expected to have had to use them for more than five or six years. We are now getting along to about ten years, and the upkeep of many of these buildings is very high indeed. One of the real problems in settling upon the construction program now is to decide how permanent the buildings should be. That has been one of the important questions of policy that the Treasury Board has reviewed in going over the building programs for the services.

Hon. Mr. HAIG: You could not ask Mr. Stalin about it, could you?

Hon. Mr. HUGESSEN: As to how long the emergency will last.

Some Hon. SENATORS: Oh, oh.

Mr. BRYCE: That is it. I think it is important to say that these figures are as high as they are because the buildings constructed during the war were of a temporary character. As the result, to keep them in shape for use it is necessary to go to great expense in their repair and upkeep.

Hon. Mr. ISNOR: It is quite true that they were of a temporary nature, but I remember questions being asked of the experts who appeared before a certain committee and they stated that while they were of a temporary nature, the wooden huts and so on had a life of something like thirty years. That is what I had in mind when I asked for a breakdown as between acquisition and construction. I was wondering what amount had been used for purchasing new lands, and then the construction cost?

Mr. BRYCE: I am sorry, sir. The amount for land under Acquisition would be a significant amount, but I could not tell you what it is. As you know, in the case of the air force they have had to acquire some substantial additional properties. As to the wooden buildings constructed during the war lasting for thirty years, I think it depends on the nature of their foundations and the central structural members. Many of the buildings now being constructed of an essentially wooden character are being put upon good foundations, so that they will, if required, last for some thirty years with modest upkeep. The difficulty with the wartime structures has been in the foundations.

The CHAIRMAN: We come down to Item 16, Acquisition and Construction. This is under the main heading of Equipment. I see here the figure of \$737,-444,000. That would be for guns, ships, and airplanes?

Mr. BRYCE: Airplanes make up the largest part of that. Then come ships, guns and tanks.

The CHAIRMAN: The repairs and upkeep under this item comes to \$131,-333,000. I suppose that is almost self-explanatory?

Mr. BRYCE: A large proportion of that is for aircraft overhaul and things of that kind.

The CHAIRMAN: Rentals—we have nothing there. It is encouraging to find one item where there is no expenditure. Shall we come to Item 19, Municipal and Public Utility Services?

Hon. Mr. HAIG: That is taxes and electricity, is it not?

Mr. BRYCE: Yes, sir, local improvement taxes, electricity, water and things of that sort.

Hon. Mr. HAIG: What about No. 20, Grants, Subsidies, etc.?

Hon. Mr. GOLDING: What sort of grants?

Mr. BRYCE: I should like to check that, sir. I think these are largely grants to defence associations.

Hon. Mr. HAIG: I think you give a grant to Air Force cadets in training. I am chairman of the Winnipeg Association, and I know that we get a grant every year for the number of men we have in training and who attend the training camp. I do not recall how much, but it is quite a bit.

Mr. BRYCE: Yes. They are listed in the Estimates at pages 275 and 276, Grants to Military Associations and Others and then there are grants to the cadet services, and other things.

The CHAIRMAN: I suppose that is important, although perhaps during the stress of heavy expenditure for war preparations—

Hon. Mr. HAIG: It is money well spent. I may be biased by reason of being chairman of the Winnipeg group, but I know that a great number of airmen got their start in this very training camp.

The CHAIRMAN: We come now to Item 21, Pensions, Superannuation and Other Benefits. These are purely pensions for military personnel, and do not include disability pensions to soldiers?

Mr. BRYCE: No, it is not disability pensions under the Pension Act. These are long-service pensions. They are made up mainly by contributions made by the government to the pension fund, to which the military personnel also contribute.

The CHAIRMAN: Let us get that clear. For instance a Major-General in the permanent service would ultimately retire at 60 years of age or earlier. Does he make a contribution towards his pension?

Mr. BRYCE: Yes, sir, he does under the present plan. There were pre-war plans under which he did not contribute; the pension then was granted entirely by the Crown. Those are Parts I to IV of the Militia Pensions Act. The estimated payments under those parts this year is \$5 million. The details are shown on page 277 of the Estimates. The main pension now for the service is under Part V of the Militia Pensions Act, under which the government makes a contribution and the servicemen make a contribution. For the current year the government's contribution is estimated at \$16,700,000.

Hon. Mr. ISNOR: When did that new plan come into effect?

Mr. BRYCE: I think it was in 1947, sir, but I am speaking from memory more or less.

Hon. Mr. ISNOR: Prior to that the government paid all the superannuation and pension allowance?

Mr. BRYCE: Yes, sir.

Hon. Mr. HAIG: It amounts to \$5 million, I think, for this year.

Mr. BRYCE: Yes, the current payments out are estimated at \$5 million, which is the same as last year, and the payment into the new pension fund is \$16,700,000.

Hon. Mr. ISNOR: Could you tell us the basis on which the pensions are paid? Does the government pay 5 per cent?

Mr. BRYCE: Under the new scheme, as I recall it, the soldier contributes 6 per cent of his pay and certain allowances. I cannot tell just exactly what that is calculated on. The government pays in the amount of, I think, 10 per cent. The government pays more in the case of the militia pensions than it does in civil pensions because, as has been mentioned, the retirement age is normally earlier. Persons are normally not retained in the services beyond a certain age, depending on their ranks.

Hon. Mr. ISNOR: The average would be about 55 years, if I remember rightly?

Mr. BRYCE: I think it goes up to 55 for senior officers, but junior officers go out as low as 45.

Hon. Mr. GOUIN: Did you say that when they were retained in the services they would receive part of the pension, or is it paid only on retirement?

Mr. BRYCE: Only when they retire.

Hon. Mr. ISNOR: Has the long-service pensions any connection with superannuation?

Mr. BRYCE: These are long-service pensions that I have been speaking of; they correspond with the Superannuation Act for civil servants.

Hon. Mr. ISNOR: Do long-service pensions apply to officers as well as to the servicemen?

Mr. BRYCE: Yes, they apply to all ranks.

The CHAIRMAN: Are there many officers who retire before the normal age of retirement?

Mr. BRYCE: There are instances from time to time. Of course officers are expected to make their career in the service until they reach the normal retirement age, but if an officer is found to be unsuitable for promotion he may be retired on the grounds that are set forth in the Militia Pensions Act.

Hon. Mr. HAIG: They must serve about 20 years.

Mr. BRYCE: Yes; there are other elaborate provisions, which I cannot recall.

Hon. Mr. HAIG: And active service counts double.

The CHAIRMAN: But if an officer is found to be misfit in the Army, they may wish to get rid of him to make room for somebody else.

Hon. Mr. HAIG: I think it applies mostly to officers who are not satisfactory on other grounds.

The CHAIRMAN: Then he is a misfit.

Mr. BRYCE: It has been my experience frequently to see cases go through the Treasury Board of an officer who could carry his duties while a relatively young man, but when he reached the point in life where he must assume administrative work, he was found to be unsuitable.

Hon. Mr. HAIG: And there are other cases too.

Mr. BRYCE: In this case he may be retired at that stage; and I believe that is, in the long run, in the interests of the economy of the country. We would not want to have as administrative officers men who are not suitable for that type of work.

Hon. Mr. HAIG: Yes, but there are some others; the home base is not as well handled as the base at the front. I have some personal things in mind.

The CHAIRMAN: We come now to Section 22, All Other Expenditures. This item is reduced considerably from the previous year. Could you tell us briefly what this item includes?

Mr. BRYCE: Frankly, I am a little surprised that it should be so high; I should like a minute to look at it. The huge amount there is expenditure under Section 3 of the Defence Appropriation Act of last year, on behalf of allied governments; it is really a mutual aid expenditure, that is included in that item.

Hon. Mr. HAIG: That is for arms that we gave to Belgium and other countries?

Mr. BRYCE: That is correct. The bulk of it is to pay the cost of equipment to be transferred; it really belongs under Item 16.

The CHAIRMAN: That would cover equipment sent, for instance, to Holland, Denmark and other countries.

Mr. BRYCE: As has been announced by the government, it has transferred the bulk of equipment for three divisions, one to Belgium, one to Holland and one to Italy.

The CHAIRMAN: Those are covered in this item?

Mr. BRYCE: Yes.

The CHAIRMAN: Are there any further questions?

Hon. Mr. HAIG: No.

The CHAIRMAN: That brings us to the end of these special categories. The "Total Standard Objects and Special Categories," \$2,177 million, less estimated savings and recoverable items. It might be interesting to have some explanation of Number 34.

Mr. BRYCE: On the military side, sir?

The CHAIRMAN: Yes.

Mr. BRYCE: That arises from the nature of the Defence estimates presented to the house. If honourable senators would look in the Estimates Volume, on page 275, you will notice that the total of the program for all the services adds up to \$1,924 million. From that is deducted \$512 million most of which is called in our internal slang "twilight". First, we take off \$183 million of items which we can expect to be financed out of the Mutual Aid fund. That is to say, there are certain equipment purchases that will be financed out of the Mutual Aid fund, the funds that are going to be found from the Suspense Account. For instance, when we transferred a division worth of equipment to Belgium, the estimated cost of replacing that equipment, which amounted to something of the order of \$57 million, is placed in a Suspense Account which we call the Replacement Account. The Defence Appropriation Act of last September authorized that when these stocks of existing equipment were transferred to another country, the current value of that equipment should be placed in a Replacement Account, and the money in that Replacement Account can be used to replace the equipment that has been transferred to the allied country. We now have in that Replacement Account a good many millions of dollars; and from the total of the estimated cost of the Defence Services program as a whole we have first deducted \$183 million for amounts that it appears can be met out of that Replacement Account, or amounts, as in the case of air training, that can be directly charged to the appropriation for aid to allied governments.

The CHAIRMAN: Where does the Replacement Account have its birth?

Mr. BRYCE: The Replacement Account had its birth out of the Defence Appropriation Act of last September, section 3, subsection (3).

The CHAIRMAN: That authorized the Governor in Council to transfer from the Defence Appropriation Act certain amounts to the fund you have just mentioned?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: Replacement fund.

Mr. BRYCE: It is a brief section. I can read it.

The CHAIRMAN: Let us have it.

Mr. BRYCE: "When any transfer of defence equipment or supplies is made under this section, and the costs of such equipment or supplies have not been paid from the appropriation made in this section, the estimated present value of such equipment or supplies shall be charged to that appropriation and a corre-

sponding amount shall be paid into a special account in the Consolidated Revenue Fund which may be used at any time, subject to the approval of the Governor in Council, to purchase equipment or supplies, for the Naval, Army or Air services of the Canadian forces."

Hon. Mr. HUGESSEN: That \$300 million was voted in last year's estimates?

Mr. BRYCE: Yes.

Hon. Mr. HUGESSEN: This is a matter of sort of recouping it.

Mr. BRYCE: What has happened is that when any existing equipment held, for instance, by the Army is transferred, let us say, to Belgium, we charge the \$300 million vote—

Hon. Mr. HUGESSEN: Already voted.

Mr. BRYCE: —with the estimated value of that equipment, and the amount that is charged there is put into this special account and may be used to replace equipment. That is the means by which the replacement is being financed.

Hon. Mr. HUGESSEN: You reduce to that extent the necessity for these appropriations?

Mr. BRYCE: Yes.

Hon. Mr. HAIG: That is where you got the \$513 million?

Mr. BRYCE: That is where \$183 million of it comes. The remaining \$329 million, I must explain, is the "twilight". That is what, by experience, we find is the margin between the total of these various items for which it is necessary for the services to make commitments that ostensibly will fall due in the current fiscal year, but where by experience we know they will not all in fact fall due, so we are able to discount to that extent this huge total and only ask parliament for a smaller amount of cash.

Hon. Mr. HUGESSEN: How do you estimate that? Is it a percentage of the total vote?

Mr. BRYCE: That, sir, is a most complicated process that takes place between the Department of Finance and the Department of National Defence.

Hon. Mr. McDONALD: On a percentage basis?

Mr. BRYCE: We look at the type of expenditure that is involved. For instance, we will have regard to the size of the construction program, and whether or not they are likely in fact to get all their contracts placed; whether the work under these contracts, although they may nominally call for work to be done during the current fiscal year, will in fact get done. We try to make allowances for that sort of thing. You cannot allow for it in any particular item, but when you have many hundreds of millions of dollars involved you feel pretty safe in allowing for it over all. That is the sort of savings that we try to make allowance for here, and it is a combination of that and the replacement fund that makes up this \$513 million.

Hon. Mr. BEAUBIEN: You deduct five hundred and some odd million dollars from the total of \$2,100 million?

Mr. BRYCE: Yes.

Hon. Mr. BEAUBIEN: How you can guess before the year even starts?

Mr. BRYCE: We have to, in order to ask parliament for a fairly realistic figure of appropriation. It is a hazardous figure. We quite appreciate that.

Hon. Mr. BEAUBIEN: It usually works out fairly accurately?

Mr. BRYCE: In the past, yes. The practice of making an allowance of that kind was introduced by the Minister of National Defence about three or four years ago, after experience in the years immediately following the war had shown that in fact we were having to ask for a larger appropriation than would be spent, in order to provide a margin of this kind.

The CHAIRMAN: But your guess is that the amount will not be taken up?

Mr. BRYCE: Yes, as of the date the estimates are made up.

Hon. Mr. TAYLOR: It is an estimate on the information available. Would not "an estimate" be better than "a guess"?

Hon. Mr. HAIG: It is experience.

The CHAIRMAN: Perhaps.

Any further questions on this item?

Hon. Mr. HAIG: Are we through with Mr. Bryce?

The CHAIRMAN: Yes, unless you wish to bring him back.

Hon. Mr. HAIG: On behalf of the committee members I wish to move a vote of thanks to Mr. Bryce for the very able service he has rendered us.

Some Hon. SENATORS: Hear, hear.

The committee adjourned until Wednesday, June 6, 1951.

APPENDIX D

SUMMARY OF ANNUAL ESTIMATES BY STANDARD OBJECTS OF EXPENDITURES
AND SPECIAL CATEGORIES

NATIONAL DEFENCE AND *DEFENCE PRODUCTION				
	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(1) Civil Salaries and Wages	\$ 61,035	\$ 44,625	\$ 41,611	\$ 2,586
(2) Civilian Allowances	1,191	487	316	2
(3) Pay and Allowances Defence Forces, and R.C.M. Police	209,184	138,346	112,526	11,395
(4) Professional and Special Services	8,771	4,822	3,897	198
(5) Travelling and Removal Expenses	22,363	13,985	10,964	1,101
(6) Freight, Express and Cartage	10,935	8,660	5,974	167
(7) Postage	483	255	253	6
(8) Telephones, Telegrams, and Other Com- munication Services	3,689	2,409	2,074	57
(9) Printing of Departmental Reports and Other Publications	2,269	1,381	1,276	....
(10) Films, Displays, Broadcasting, Advertising, etc.	3,862	1,995	1,022	5
(11) Office Stationery, Supplies, Equipment and Furnishings	6,327	2,488	1,622	232
(12) Materials and Supplies	375,918	108,225	64,568	190
Buildings and Works, including Land—				
(13) Acquisition and Construction	362,767	57,750	52,384	4,261
(14) Repairs and Upkeep	30,334	20,537	15,448	1,046
(15) Rental	1,086	974	840	....
Equipment—				
(16) Acquisition and Construction	737,444	127,142	73,988	12,265
(17) Repairs and Upkeep	131,333	62,074	45,604	588
(18) Rentals .....	....	....	....	....
(19) Municipal and Public Utility Services....	3,702	3,402	2,964	....
(20) Grants, Subsidies, etc., not included else- where	2,320	4,190	1,383	104
(21) Pensions, Superannuation and Other Benefits	22,214	16,163	14,365	2
(22) All Other Expenditures (other than Special Categories)	180,096	205,859	6,838	1,762
Total Standard Objects	\$2,177,323	\$825,769	\$459,957	\$35,967
(23)-(33) Special Categories .....	....	....	....	....
Total Standard Objects and Special Categories	\$2,177,323	\$825,769	\$459,957	\$35,967
(34) Less Estimated Savings and Recoverable Items	513,111	55,186	68,823	....
Net Total Estimated Expenditures	\$1,664,212	\$770,583	\$391,134	\$35,967

*No provision for Defence Production during 1938-39. For 1949-50, only Canadian
Arsenals, Limited, is included in the figures in this table.

APPENDIX E

DEPARTMENT OF NATIONAL DEFENCE

TRAVEL AND TRANSPORTATION EXPENDITURES FOR FOUR YEARS

Sources:

Departmental Reports
Public Accounts
Departmental Estimates

Fiscal Year 1938-39 (Actual)

	Strength	Expenditures	Average Per Capita
Active Forces	\$ 7,945	\$ 602,925	\$ 76
Reserves	54,055	483,321	9
Civil Servants	2,236	....	..
	64,236	\$1,086,246	

Fiscal Year 1949-50 (Actual)

Active Forces	47,185	\$6,890,369	\$146
Reserves	49,017	1,326,809	27
Civil Servants	13,398	510,380	38
	109,600	\$8,727,558	

Fiscal Year 1950-51 (Actual)

Active Forces	68,427	\$16,054,521	\$234
Reserves	53,467	1,560,290	29
Civil Servants	13,544	627,869	46
	135,438	\$18,242,680	

Fiscal Year 1951-52 (Estimated)

Active Force	77,211	\$17,688,860	\$229
Reserves	67,800	2,457,220	36
Civil Servants	14,217	484,300	34
	159,228	\$20,630,380	

(This table does not include any reference to Cadet Services nor Defence Research Board)

1. From 1939, consequent upon the general increases in the costs of meals and accommodation, the provision in Pay and Allowances intended to reimburse personnel for these costs when travelling, has been revised in line with the following:

	1939 per diem	1942 per diem	1947 per diem	1950 per diem
Colonel	\$8.00	\$8.00	\$10.00	\$10.50
Captain	5.00	6.00	8.00	8.50
W.O. II and Sergeants	3.00	5.00	5.50	7.00
Below Sergeant	2.75	3.50	5.00	7.00

The Canadian railways have been granted increases in the mileage rates charged for the transportation of military personnel. In 1939 the rates effective were 2.5c. per mile for first class accommodation and 1.66c. for coach class; at the present time, the rates are 3.25c. per mile for first class and 2.33c. for coach.

2. The difference in the pre- and post-war per capita costs is accounted for by the change in the nature of the armed services; in 1938-39 the Forces were composed of numerically small static groups functioning at relatively few locations whereas in post-war years, the strength of the Forces has been maintained at a much higher level, and in order to meet current requirements, the Forces have had to become a much more mobile force. The opening up of new training centres and the military development of the northern areas resulted in the greater movement of personnel and dependents which is reflected in the travel costs of each of the three Services.

3. The increase in 1950-51 over the 1949-50 per capita costs is almost wholly attributable to the Canadian commitments under international agreements. Some indication of what these undertakings mean in travel expenditures is as follows:

ARMY: The increase in the Army was roughly \$2 million. Strength increased from 22,000 to 35,000. The special factors relating to the increase are:

Special Force—

Enlistment, movement for training and some discharges ..	\$1,538,000
Embarkation leaves	674,000
Movement of part of Force to Korea	108,000

AIR FORCE:

Removal Expenses of household effects formerly charged to "Freight and Express" properly recorded in 1950-51 under costs of Travel and Transportation \$ 654,000

Special Force—

C.P.A. Airlift	2,063,000
426 Squadron from Tacoma to Tokyo	95,000

NAVY: Little change is recorded in the travel costs of Naval personnel other than that resulting from the increased strength.

Canada, Finance, Standing
Committee (Senate)
1951

THE SENATE OF CANADA

Government
Publications



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 8

WEDNESDAY, JUNE 6, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

Mr. S. A. Goldberg, Director, Research and Development Division, Dominion Bureau of Statistics.

Mr. W. Arthur Irwin, Government Film Commissioner, National Film Board.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

THE STANDING COMMITTEE ON FINANCE

The Honourable THOMAS A. CRERAR, P.C., Chairman.

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Howden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Veniot
Farquhar	McDonald	Vien
Farris	McIntyre	Wilson
Fogo		

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 6, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Crerar, Chairman; Barbour, Basha, Beaubien, Bouffard, Buchanan, Burchill, Euler, Golding, Gouin, Haig, Horner, Howard, Howden, Hugessen, Isnor, King, McLean, Quinton, Reid, Taylor and Wilson.—22.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

The following were heard:

Mr. S. A. Goldberg, Director, Research and Development Division, Dominion Bureau of Statistics.

Mr. W. Arthur Irwin, Government Film Commissioner, National Film Board.

At 1.00 p.m., the Committee adjourned until tomorrow, Thursday, June 7, 1951, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Wednesday, June 6, 1951.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1952, met this day at 11 a.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Gentlemen, the committee should come to order. We have this morning Mr. Goldberg from the Bureau of Statistics. You will recall that last week Mr. Marshall was here and he had hoped to come himself again to explain to the committee the problem of gross national production and net national income and how they are arrived at. Mr. Marshall was called to Washington on some conference and he got in touch with me before he left. Mr. Goldberg is the officer in the Bureau responsible for these statistics, and I arranged with Mr. Marshall that Mr. Goldberg would come and give the committee his views on the problem and answer any questions the committee might wish to ask. I hope we will dispose of this within an hour. Mr. Irwin of the Film Board is coming at 12 o'clock. It will be recalled that when we were discussing one of the items—I think it was No. 10 relating to Films, Displays, Broadcasting, Advertising, etc.—the committee suggested we should have a representative from the Film Board and also a representative from the Broadcasting Corporation to explain in more detail their expenditures. Mr. Irwin, who is the head of the Film Board, will be here at noon. I would hope that we would dispose then of Mr. Goldberg this morning and also Mr. Irwin. I am hoping to have a meeting tomorrow at which we may probably have the Film Board people. Some of the witnesses we wanted to call here are out of town. Dr. Gilbert Jackson is coming on Tuesday morning next at 11 o'clock. It is the only day he has available and we will give him the full session. I think he will make a useful contribution. With these preliminary remarks we shall ask Mr. Goldberg to come to the table. Mr. Goldberg might give us an opening statement as to what gross national production means, how the totals are arrived at, what changes are made in that figure to arrive at net national income, and any other information that members of the committee may desire through asking questions.

S. A. GOLDBERG, Director, Research and Development Division, Bureau of Statistics: Gentlemen, you will note that the heading of the booklet you have before you is National Accounts. The first question is: what are the national accounts? This can be answered in one or two sentences. Briefly the national accounts are a set of books on the economy as a whole, analogous to the books that corporations use in deliberating on policy and making judgments on their past operations. The second question which may be of interest here is: what are they used for and perhaps how they are made up? In answering this question I come to the first point that the Chairman mentioned—gross national product. One use of the account is to get an estimate of the value of the year's production. You know that we start out a year with a certain amount of capital equipment. We have certain natural resources. We have a labour force. The latter is applied to our capital equipment and to the natural resources, and out of this flow goods and services for our material use. The

total value of these goods and services is called gross national product or gross national production. We try to answer the question; "what is the value of our year's efforts", not directly, but indirectly. We use, so to speak, an encircling movement in getting at our objectives and not a frontal attack. A direct approach would consist of adding up the output of different industries, making certain adjustments for industries' use of materials, obtained from other industries and other adjustments. We do not do that in this booklet. What we do is to measure the value of the year's goods and services indirectly in two different ways. Why do we use the indirect approach? We do this for two reasons. First, because the available statistics lend themselves more readily to this approach, and secondly because we can obtain and summarize a great deal more useful information through using this approach.

Let me say a few words more about this. One way of measuring the year's production of goods and services is by adding up all earnings and other costs which arise in the course of production. We know that this sum necessarily adds up to the value of new goods and services produced. The earnings are salaries and wages, profits, and a mixture of profits and salaries and wages which is known as net income of unincorporated business, including agricultural income. This total is called the national income. We add to that indirect taxes and depreciation allowances to make up for the value of capital equipment used up in the course of production, and the result is the market value of goods and services produced, known as the gross national product. If you turn to Table 1 you will see before you a classification of the main earnings which arise in the course of production. You see how the totals are added up to, first, the national income; and the additional items that need to be added to obtain the gross national product at market prices, and this table adds up to the value of goods and services produced. This is one way of measuring the value of goods and services produced.

There is another way, and it consists simply in this. We start off by asking the question: What have been the total final sales in the economy? I say "final", because if a manufacturer sells first to a retailer, say boots and shoes, and then they are sold again to a consumer, we do not count these things twice, we count them only at the final disposition, when the consumer gets them.

Then we add up these sales and we adjust them for inventories and for imports, because in these final sales imported goods are included, and then we get what is known as the gross national expenditure at market prices. You will see that on page 2. Now we know that this procedure has to add up to the value of all the goods and services produced during the year, because what is produced must either be sold or added to inventories. In this way we get at our objective through the encircling movement that I mentioned before.

Our first objective then is to measure the market value of goods and services, and we do that in two different ways. Now, since these two different ways measure the same thing, they naturally must add up to the same total. If in fact there are differences between them, it is purely because of statistical reasons. You will understand that we cannot have estimates with the same dollar and cents precision that a company has in its books, because in our measurements we have to include transactions of groups in the economy that do not keep books at all, or if they keep books do not make the necessary information available to us yet, and so we have to make estimates. And in the course of these estimates we of course have to have a certain residuum—it would be just an accident if we came out precisely to the dollar.

Here is one advantage of this approach. We measure production, but we do it through two ways and so we get a check. One way is a check on the other. In addition to this we get—as you will see if you look at tables 1 and 2—an account of the absorption of production by the main groups in the economy. For instance, the personal absorption by consumers of goods and services in 1950 was \$11,810

million of the gross national expenditure of \$17,791 million. The main classes of sales are shown separately, and this facilitates analysis. So much for gross national product and expenditure.

I have already indicated one use of this approach. Another use is that this approach enables us to estimate separately the income and expenditure transactions of the main groups in the economy. For instance, if you turn to page 5 you will see before you the income and expenditure transactions of all persons in the economy, you will see the sources of personal income and the disposition of personal income. Similarly, if you turn to pages 11 and 12 you will see the main sources of government revenue and the disposition of government revenue. We have these portrayed separately and also in such a way as to show the relationship between the income and expenditure of these groups, persons and governments, in the examples I have taken, and the economy as a whole and with other groups. For example, you will note that on page 6 we show separately personal income taxes. If you turn to the government table on page 11 you will see the recipient of these taxes. Similarly with other components, as you go through the booklet.

So may I just summarize? In addition to measuring production, this set of tables before you constitute a perspective within which you can appraise the different elements of income and expenditure of separate groups in the economy, such as governments and persons and others. It is a perspective to appraise orders of magnitude. Secondly, these tables show a clear relationship between the transactions of different groups in the economy, and in this way the interrelationship of transactions in the economy as a whole is emphasized. Thus this set of tables can be used as a framework for studying the functioning of the economy over any period of time, and together with other data it enables people to form judgments about the course of future events.

I do not know, Mr. Chairman, whether I should say a few words about the sources of the statistics for the accounts.

The CHAIRMAN: That would be interesting and useful.

Mr. GOLDBERG: I will try to be brief. As you know, in Canada we have a centralized system of statistics—the Bureau of Statistics constitutes a centralized system. Most of the information which is incorporated in these accounts is obtained right at the source, in the Bureau of Statistics. Through the questionnaires that the Bureau has to send out anyway to business and other organizations we get figures of salaries and wages, of purchases by individuals of goods and services, of exports and imports, and of capital investment. In addition to the Bureau sources we use the published government accounts—the accounts of the federal government, of the provincial governments and the municipal governments. We also use information published by other government departments. For instance, the figures of corporation profits shown on page 9 are based largely on a publication issued by the Department of National Revenue, Taxation Division. That gives you a bird's-eye view of the main sources that we have available and use.

There is one additional point which I think is relevant. As I said at the outset, certain groups in the economy do not keep books; for example, the corner grocer and many farm operators do not keep detailed books; others may keep books, but the information is not available to us. We have to make special estimates for the income and expenditure transactions of these groups on the basis of miscellaneous information that we have available at the Bureau.

That, I think, summarizes as briefly as I can the main elements in this national accounting framework.

The CHAIRMAN: Mr. Goldberg, could you draw an analogy between the national housekeeping in this respect, and the individual's housekeeping? Let

me explain, if I can, and I admit that when we get into this question we are in fairly deep water.

Hon. Mr. HAIG: Hear, hear.

The CHAIRMAN: At least, I am.

Hon. Mr. EULER: So am I.

The CHAIRMAN: For instance, an individual conducting a business has certain gross intake from his operations. If he is a manufacturer he has certain charges against that gross intake: his machines tend to wear out, and at some future date they will require to be replaced. Consequently, he has lost something there. There may be other charges of that kind which he has incurred in the operation of his business. When he takes those charges off he has a result that might be described as his net income after expenses. Would I be correct in assuming that the gross intake that he has corresponds to your gross national production, as an analogy, and that the deductions he is required to make through depreciation and other charges of that kind, which enables him to arrive at his net, are the same sort of charges that you make in your estimates to arrive at what you call the net national income?

Mr. GOLDBERG: I think the analogy is correct, but I should like to make one observation. To the extent that the businessman, such as you have taken as an example, purchases materials which are produced by other businesses, you would have to deduct that in order to get the figure which is analogous to our gross national product, because it will be counted in the product of the other business. But to the extent that this business has been self-contained as far as purchases from other businesses are concerned, your analogy is correct. Salaries and wages which he pays out are included in national income; his net income, the residual, is included in the net income of agriculture and other unincorporated business; if the business is incorporated it will be included in corporation profits, and deductions for depreciation will be included in our depreciation figures. But to the extent that he uses the products from other businesses, this would have to be deducted from his gross.

The CHAIRMAN: I will conclude with one further question. How are these figures of gross national production and net national income affected by an increase in price levels, in other words by inflation? To put it another way, the true measure of our increase in wealth depends on the actual volume in increase of products and services. If prices rise then it seems to me that our picture is disguised. In other words, our gross national product in 1939, for instance, was how much?

Mr. GOLDBERG: I have the figure right here from the Budget Appendix. In 1939 the gross national product was \$5 billion 598 million.

The CHAIRMAN: That illustrates what I am getting at. The gross national product as shown for 1950 was almost \$18 billion; that is an increase in those twelve years from \$5.6 billion to \$18 billion, an increase of about 2½ times.

Mr. GOLDBERG: That is right, a little less, an increase of about 220 per cent

The CHAIRMAN: Our actual increase in production certainly did not keep pace with that. So when we look at these figures of gross national production of nearly \$18 billion, and the Finance Minister indicated that he expected the figures for this year might reach \$20 billions are we not in a measure deceiving ourselves if we take those figures as an actual representation of our increase in the production of goods and services.

Mr. GOLDBERG: Of course we are not deceiving ourselves if we see the problem as clearly as you have outlined it. You are quite correct. We measure, in the first instance, goods and services produced in a year in terms of dollars of that particular year. Let me give a hypothetical example. We are now in a

period of full employment more or less: we can add to our labour forces a little, but compared with the situation in the thirties, this is a full employment economy. In a situation like this it stands to reason that our expansion of real production in a year is limited. It is limited by our resources, since most of our resources are already employed. It depends on judgment whether this expansion will go up by 3 per cent, 4 per cent or 5 per cent, but its limits are clear.

So, as far as physical production is concerned the limits are evident, but if prices go up and you value the physical production in terms of the increased price, you get a higher figure because of this price increase.

My colleague, Mr. Leacy, has just handed me a table in which he made an estimate that the real output of the Canadian economy—speaking in approximate terms—was in 1950 approximately 80 per cent above the pre-war year of 1939. The real output in 1950, that is the level of goods and services produced, was 80 per cent higher, if you allow for the price increases.

The CHAIRMAN: The 80 per cent increase might be roughly described as physical production.

Mr. GOLDBERG: Yes, of goods and services, in terms of constant 1935-39 dollars.

The CHAIRMAN: But as reflected in the values represented in the figures you have given us, it is an increase from about \$5.6 billion to almost \$18 billion.

Mr. GOLDBERG: That is right.

The CHAIRMAN: But that would be about 320 per cent of the 1939 figure, an increase of 220 per cent.

Mr. GOLDBERG: About that, a little less. The precise increase is 218 per cent.

The CHAIRMAN: I think that is a very important point for us to keep in mind.

Hon. Mr. REID: Have you worked out the percentage of increase in volume compared with the increase in prices? You can tell us that personal expenditures have increased so much on our national income, but it would be interesting to know what percentage of the volume of goods has been—

Hon. Mr. HAIG: He says 80 per cent.

Mr. GOLDBERG: From 1939.

Hon. Mr. REID: For instance, are people eating more butter and eggs and buying more suits of clothes? You can show that personal expenditure has increased in 1950 over 1949, but I am interested to know if people are actually buying more things, and what percentage they are buying with the increased cost in 1950, as compared with 1949.

Mr. GOLDBERG: Well, 1950 compared to 1949? If you would be good enough to turn to page 4, we have there "Percentage changes in value, volume and price", Table 2, 1949 to 1950. I state again that these are approximations. As we get more information and as we study these problems we try to improve the estimates. But as they are now, we estimate that personal expenditure on consumer goods and services from 1949 to 1950 has gone up in value terms 6.5—and now you have your point of this—the price was 3.5 and the volume 3.0 per cent.

Hon. Mr. EULER: You say that in 1939 the amount was \$5 billions, was it?

Mr. GOLDBERG: 5.6.

Hon. Mr. EULER: Which has now expanded to an anticipated \$18 billion, or perhaps even \$20 billion. Will you make a comparison by estimating the present amount on the basis of the dollars that were used in 1939? Would that be the comparison of what the actual increase is?

Mr. GOLDBERG: Yes, sir.

Hon. Mr. EULER: What would that be, then? Instead of almost \$18 billion what would it be in terms of the old dollar of 1939?

Mr. GOLDBERG: It would be nearly \$10 billion for 1950, in terms of constant 1935-39 dollars.

Hon. Mr. EULER: About double?

Mr. GOLDBERG: \$9,982 millions. Your question is what the volume was; has the volume doubled?

Hon. Mr. EULER: As compared with 1939, in terms of the old dollar.

Mr. GOLDBERG: Yes. It has not quite doubled, because we started from 5·5; so it went up about 80 per cent, slightly over 80 per cent.

Hon. Mr. EULER: Making it something like \$9 billion?

Mr. GOLDBERG: From 5,523 millions to nearly \$10 billion, using 1935-39 dollars.

Hon. Mr. EULER: That is the 80 per cent you gave us before?

Mr. GOLDBERG: Yes.

Hon. Mr. EULER: That gives us a fair comparison?

Mr. GOLDBERG: That gives us a comparison in terms of volume of goods and services, using 1935-39 dollars.

Hon. Mr. HAIG: That does not say that there were not a greater number of people employed. There would be more people employed in 1950 than in 1939?

Mr. GOLDBERG: That is right.

Hon. Mr. HAIG: And a very much larger investment in capital machinery?

Mr. GOLDBERG: That is very true.

Hon. Mr. REID: That has not quite answered the question I asked.

Mr. GOLDBERG: You asked me, from 1949 to 1950 how much has the volume increase been in percentage terms of expenditures on consumer goods and services. It is 3 per cent. The value is 6·5, the volume 3·0 per cent and the price 3·5.

Hon. Mr. GOLDING: Take the volume from 1939 to the present time: what is that?

Mr. GOLDBERG: Of consumer expenditure?

Hon. Mr. GOLDING: Volume of production.

Mr. GOLDBERG: This is 80 per cent, slightly over 80 per cent. The volume of production from 1939 to 1950 went up about 80 per cent.

The CHAIRMAN: And in terms again of 1939 our gross national product in 1950 would be worth about—?

Mr. GOLDBERG: About \$10 billion.

Hon. Mr. BURCHILL: But that question of Senator Reid's was, between 1949 and 1950. I think we would be interested in knowing the figures between 1939 and 1950.

Mr. GOLDBERG: On consumer expenditures?

Hon. Mr. BURCHILL: Yes. Have you got that at all there?

Mr. GOLDBERG: It is about the same. It is a little over 80 per cent above pre-war.

Hon. Mr. PRATT: In making these calculations—and after all, figures of this nature are valuable chiefly for purposes of comparisons—has the same formula say from 1939 to this date been followed, so that the comparisons would run true, or have there been new factors injected into the calculation of figures which would upset the true picture?

Mr. GOLDBERG: I think that is an excellent point. In the course of our work this is something we try to watch very carefully, because as you say, the value of these figures is much greater if they are completely comparable, and it is true that we follow the same formula as far as concept is concerned. We have quite a detailed conceptual framework which is now established and which attempts to

keep our procedures in line with international practice, so that you not only have comparability within Canada over time, but you can make comparisons with other countries, particularly the United States and the United Kingdom. In addition to conceptual comparability we have statistical comparability. When we change a method we try to make it applicable to the whole series. We try not to break the series, because if we do so we invalidate comparisons. So far as I know, and so far as is feasible, our data are comparable.

Hon. Mr. BURCHILL: You speak of making comparisons with other countries, such as the United States. Do they use the same pattern down there when they are making their figures?

Mr. GOLDBERG: In broad outlines, yes, sir. Some time ago we had a number of conferences with experts there and we agreed on a broad framework of national accounting. Because of individual differences between countries, as there are between people, we have to make some adjustments to suit the special purposes of Canada, but as we make adjustments we try to show them with sufficient detail to enable people to study these figures for purposes of comparisons with the United States and the United Kingdom.

Hon. Mr. EULER: Do you follow the same practice in Canada as they do in the United States when you are figuring out the cost of living—I do not know what it is now—179, as compared with the basis of 100 in 1939.

Mr. GOLDBERG: 1935 to 1939.

Hon. Mr. EULER: When you figure the increase in the cost of living,—what is it now?

Mr. GOLDBERG: 182.

Hon. Mr. EULER: Now, in figuring that out you take just certain important commodities; I don't know what they are. You have above 28 or 30, have you not?

Mr. GOLDBERG: There are many more than that.

Hon. Mr. EULER: Do you think that gives you a fair reflection, because many other commodities are left outside of that calculation altogether, are they not? A good many?

Mr. GOLDBERG: You have a cross-section for certain average income groups.

Hon. Mr. EULER: And do you follow the same practice here as they do in the United States? Does our cost of living correspond fairly? I mean, the way you do it, does it correspond fairly with that of the United States? Because we always compare our cost of living with that in the United States.

Mr. GOLDBERG: I want to say I am not an expert in cost-of-living statistics. It is my understanding that, broadly speaking, they are comparable with those in the United States. Because our economies are interrelated we try to keep as many of our own estimates as possible within a comparable framework between the United States and, where possible, the United Kingdom and other countries.

Hon. Mr. BEAUBIEN: Mr. Goldberg, can you tell me why you take the period from 1935 to 1939 to make this comparison in the cost of living index? Food commodities were at a very low price during that period, and the food prices are a very big item in the present-day cost of living. Is it a fair way of appraising the increased cost of living to take 100 per cent for the period from 1935 to 1939 and arrive at 182 or 183 per cent for today?

Mr. GOLDBERG: Let me repeat that the cost of living is not exactly in my terrain, but as far as I can answer the question I think you probably know that the Bureau is in the course of revising its cost of living index, and the Prices Section has been working very hard for some time in this connection.

Hon. Mr. REID: As to the cost of living what would be included, for instance, in personal expenditures?

Mr. GOLDBERG: I could not make from memory a detailed comparison but I can give one or two examples. Certain luxuries would not be included in the cost of living index, but they will be included here because our purpose here is to measure a totality. We want to measure all personal expenditures on goods and services and the cost of living index is constructed for other specific purposes. So, while there are wide common areas, there are also exclusions.

Hon. Mr. HAIG: As to the cost of living did not the government between the years 1935 and 1939 send out trained young women to canvass certain income groups to see what they expended their salaries on?

Mr. GOLDBERG: That is correct, sir. I think this was done for 1937-38. At that time the Bureau endeavoured to get the most representative expenditure pattern for the group in which they were interested. Over time you have to change these patterns. You will understand that it is a big undertaking to get the patterns in exact terms as they change. The Bureau made a survey, if you will recall, a couple of years ago or so and we are using the result of this survey—at least the Prices Section is—to bring the cost of living index as up to date as possible.

Hon. Mr. HAIG: These people tried to find out how a family of say, five or six was spending its income of, say, \$3,000 or \$4,000. They wanted to find out how the money was distributed.

Mr. GOLDBERG: That is correct.

Hon. Mr. HAIG: And they took that as a basis of getting at the cost of living?

Mr. GOLDBERG: To get weights for the index.

Hon. Mr. BEAUBIEN: You took the prices existing between 1935 and 1939.

Mr. GOLDBERG: That is 100 per cent.

Hon. Mr. BEAUBIEN: Will you admit that it is not a fair comparison to compare the cost of living, especially with regard to foodstuffs, today with that of the period 1935 to 1939? My point is that during that latter period the price of farm products was down. Beef was down and wheat was down. So I do not see how you can take 100 per cent for that period and compare it to the present-day cost of living and arrive at a figure of 182 per cent. I do not understand how that is a fair comparison.

Hon. Mr. HAIG: You have to think of it as a family of, say, five and what they have to eat and pay out to clothe themselves and to meet their doctor bills and other expenses. It may only be the food that has gone up.

Hon. Mr. BEAUBIEN: Everything else has gone up.

Hon. Mr. HAIG: All right. The point is that a man and woman with three children have to spend so much money on food, and it is not a question of whether the cost of foodstuffs was low during the period from 1937 to 1938.

Hon. Mr. BEAUBIEN: You do not understand my question. Why take a figure between 1935 and 1939, which was not a normal period?

Hon. Mr. HAIG: The figure is based on the years 1937-38, to be exact.

Mr. GOLDBERG: That is for the expenditure pattern.

Hon. Mr. BEAUBIEN: You claim you get a figure of 100 per cent for the year 1937-38. This was not a normal period. If you took a figure in 1926 you would have a higher one than in 1937-38.

Hon. Mr. McLEAN: They did that—

The CHAIRMAN: Gentlemen, the Chair is a bit sensitive and wants all questions directed this way.

Hon. Mr. BEAUBIEN: I should like my question answered, if I could keep your committee members quiet for a minute. I am asking this question: Is it a fair comparison to take the basic figure in a period when a large percentage

of commodities, food products in particular, were selling at a lower price than usual, and in this way arrive at your cost of living figure for today?

Mr. GOLDBERG: Of course, it is possible to make your comparison with any period. You can transform it to 1946, 1947 or 1948 as 100 per cent. When it comes to fairness, it is a value judgment. When you make the judgment you have before you the annual statistics and you can transform them. For instance, you can take the per cent increase from 1949 to 1950, and you can take the per cent increase from 1939 to 1950. You can transform them to whatever period you wish, as the base for calculating percentages.

Hon. Mr. REID: Is it under your department that certain investigational surveys for information are carried out? I am wondering whether it is under your department that a certain survey is being conducted at the present time in my district? I think a lot of silly questions are being asked in this survey and that there is a great deal of money being wasted on it.

Mr. GOLDBERG: My own division is Research and Development. The Bar Association approached us some time ago and asked us to make a survey on the incomes in the legal profession. It so happened that we needed this information too for our national accounts. We were delighted to co-operate with them and it was a very useful study. Other surveys, however, are made through other divisions. It all depends on the type of survey.

Hon. Mr. REID: In regard to national income I have in mind fishermen who catch quantities of fish and whose income from that would be taken down and recorded. These fish are sent to a manufacturing plant where they are turned into canned products. The fish take on another value. Do you check up and are you careful that the value of the fish is not counted twice?

Mr. GOLDBERG: That is one of the problems involved in national accounting which we have to watch out for. You are quite right. If we counted twice, then the gross national product would be higher than it should be. We take great care not to count it twice. As I said, our method, our approach, aims at avoiding double counting.

Hon. Mr. REID: I notice from this booklet that the initial price paid to farmers for wheat in 1950 was lower by 11 per cent than in 1949. Is that based on actual figures?

Mr. GOLDBERG: The initial price is the price that farmers got from the Wheat Board when they turned their wheat over. The cash income figure was 11 per cent lower.

The CHAIRMAN: That is a border-line question.

Hon. Mr. HAIG: It is a question that I should like to follow up.

Hon. Mr. ISNOR: There is a question that I should like to ask about table 2 on page 4. Senator Euler asked a question along the same line. How does the Bureau arrive at the difference in price and value for 1950 as compared with 1949? If I remember correctly, the information requested by the Bureau's merchandising section is the volume of sales for the month in question in 1950 as compared with the same month in 1949, and also the purchases for the same period. Now how do you get the unit figures?

Mr. GOLDBERG: We ask for the value of sales and then we deduct from that different expenses, and we get the net income from the sale of goods. From the questionnaires which are filled out by the storekeepers we get the value of sales, and then we have price data which come from another Bureau division, and we try to compute from these two figures. In some cases we have to estimate our own prices as best we can. Through dividing prices into value we get volume for the economy as a whole.

Hon. Mr. ISNOR: The monthly report that you get from a department store gives its total sales for a month, and the only other information you get from

the store is the value of its purchases for that period. Now how is it possible for you to arrive at the unit increase or decrease for any one particular line, such as refrigerators, or what I happen to know about, suits, let us say? How is it possible for you to know the number of units of suits that I have sold over a period of one month or two or three months, from the reports that you procure from merchants?

Mr. GOLDBERG: We cannot ascertain in detail how much an individual store-keeper has sold in terms of units, unless that information appears on the questionnaire. What we do is to add up the sales such as you are talking about, and other sales by other outlets, and in this way we get the total of sales. The next step is to get an average price applicable to this total of sales. It is not an individual thing that we are after; we are after aggregates. Once we have the value of sales—say of clothing—and we have the average price for that commodity, we have the instrument whereby to deflate the value figures and get the movements in physical volume on the basis of the price of the particular year which is selected as the base.

Hon. Mr. REID: I wish to ask a question under the head of national income. Apart from interest and dividends, what is the percentage of moneys in the national income earned by all those receiving family allowances, old age pensions, and so on, in 1950, and how does it compare with 1949? What I am trying to find out is the amount that is going out from the various governments in these direct payments.

Mr. GOLDBERG: The government transfer payments are made up of family allowances, war service gratuities, rehabilitation benefits, pensions of World War I and World War II veterans, unemployment insurance and so on. If you will turn to table 3 you will see that the value of all these in 1949 was \$947 million. That includes transfer payments to persons from federal, provincial and municipal governments. In 1950 the amount was \$1,016 million. Does that answer your question, sir?

Hon. Mr. REID: Yes.

Hon. Mr. EULER: I suppose that one source of national income is revenue from tourist traffic, especially from tourists from the United States. How do you arrive at the amount these people spend here, and how do you arrive at the deduction that has to be made because of expenditures made abroad by Canadians, when you are computing the net income?

Mr. GOLDBERG: All the international transactions included in our accounts come from the Balance of Payments Section of the Bureau. They have records of tourists expenditures in Canada, and of expenditures made by Canadians abroad. We use these estimates.

Hon. Mr. EULER: These figures are simply estimates, are they not?

Hon. Mr. REID: It is not difficult to find out how many American tourists come into Canada in a year. But how can you tell how much they spend? Many of the people who drive up from across the border bring with them enough food and other necessities to last them as long as they stay in this country. There may be four persons in a car, and their only expenditures up here may be for gas. Is this practice not simply to make an estimate of how much each person spends and then multiply that amount by the total number of people who have come in? I cannot see how the figure you arrive at is anything more than a guess. In fact, I claim it is a wild guess.

Hon. Mr. HORNER: You would get information from your Balance of Payments Section that you mention?

Mr. GOLDBERG: Yes, sir. These questions would be better answered by the person in charge of that section.

Hon. Mr. REID: What we are trying to find out is whether the figure you use for income from tourist traffic is reliable. You must accept that figure from some source.

Mr. GOLDBERG: Yes, we accept it from the Balance of Payments Section in the Bureau, and that section has sources of information from which it makes estimates. I think it is fair to say that the Canadian balance of payments figures are considered among the most reliable in the world. I know that.

Hon. Mr. REID: There is no way of checking how much American tourists spend here.

Hon. Mr. HAIG: How do the Americans check the tourists? For instance, a young woman may get on a plane at Winnipeg, and buy a return ticket to Los Angeles. There she visits with a friend for eight days, getting her room and board, and returns to Winnipeg without having spent a nickel in the United States. How do you estimate the expenditure on a trip of that kind?

Hon. Mr. EULER: They ask her at the border how much she spent.

Mr. GOLDBERG: At the port of entry she has to answer questions.

Hon. Mr. HAIG: As to how much money she has.

Mr. GOLDBERG: How much she has, and what she purchased.

Hon. Mr. EULER: They just ask you what you spent over there. I was in the United States last week, and that's all they asked me. They did not ask me what I had or how much I bought, but just how much I spent. I presume we ask the American tourists how much they spend in Canada, when they leave here. How can we tell, if they are not asked something of that sort? They might answer that it is none of our business.

Hon. Mr. REID: They make up a nice picture, depending on what bureau it is for.

The CHAIRMAN: Are there any further questions? We have reached the limit of the hour, and Mr. Irwin is here to give us information on the Film Board.

Hon. Mr. HAIG: There is just one observation I have to make. The whole country is interested in the cost of living. I think you should have an expert from the department come here and tell us how the figures as to cost of living are arrived at. I would like him to bring to us the figures on the trend in the cost of living for the following periods: 1910 to 1915, 1915 to 1920, 1920 to 1925, 1925 to 1930, 1930 to 1935, 1935 to 1940. I think we will find that the cost of living was higher in 1935 to 1939 than it was in 1909 to 1914.

The CHAIRMAN: That would involve, Senator Haig, getting someone from the Bureau who is familiar with the manner in which the cost of living index is arrived at.

Hon. Mr. HAIG: Yes.

The CHAIRMAN: I shall see what I can do about that matter this afternoon.

Hon. Mr. HAIG: Thank you.

The CHAIRMAN: Any further questions?

Hon. Mr. HAIG: I am pretty slow, but I don't understand very much that the witness has said, though I bet it is good. I could follow some of his explanations, but not all of them.

The CHAIRMAN: When the Hansard report comes out we can study it and perhaps get a little more enlightenment.

Hon. Mr. BURCHILL: May I ask one question before the witness leaves the chair? I should like to have his honest opinion as to what percentage of accuracy he really thinks these figures show. I admit that is a general question, but like Senator Isnor and some others, I have been puzzled as to the infor-

mation supplied from time to time. I know that a great many people have not furnished information, and I often marvel at how anything approaching accuracy could be worked out from such information as is furnished by individual producers, manufacturers and so on. I just wonder if you really think in your heart and soul that these figures are accurate.

The CHAIRMAN: You would like to know, Senator Burchill, what is the margin of error. Perhaps Mr. Goldberg can give us an opinion on that.

Mr. GOLDBERG: As you were speaking I was searching my heart and soul, and I shall try to give you my findings. First of all, what is unknown, we don't know. You ask, how accurate are the estimates in relation to reality. Well, we say our estimates are the best appraisal of reality that is humanly possible with the resources that we have. If at any stage we get more statistics or more light thrown on the subject through experience to convince us that we should make some adjustments, we do so at the first opportunity. My answer is that our results are the best we can produce with the information and resources which we have. Exactly how far we are out is to a large extent indicated through our two-way method of measuring the same thing. You will note that there is a residual error estimated on pages 1 and 2.

Hon. Mr. EULER: Would you care to say what the maximum margin of error might be?

Mr. GOLDBERG: If you will turn to pages 1 and 2 you will see that the error, as far as we can find out—of course what we don't know, we can't incorporate in the figures—is the residual. If we measure the same things in two different ways, and get a residual, there must be an error. We don't know just where it is, but we put half of it on one side and half on the other side. That is made very explicit, it is not hidden, we spell it out clearly in our publications. Let me say that we are dealing here with overall magnitudes for the economy as a whole, and for many purposes it is not important to have a hundred per cent accuracy. For many purposes, if we have say, 95 per cent accuracy, it fulfils them. In these cases, why go through the additional expense to get the other 5 per cent?

Hon. Mr. EULER: If you say it is only 5 per cent, that is the answer.

Mr. GOLDBERG: No; it varies. You will notice that the residual error varies from year to year. There is one other point. Someone mentioned comparability, that the figures should be comparable from year to year. In answer to the present question it might be pointed out that the preciseness of our figures should be appraised in terms of similar figures in other countries. I think if that is done, we stand up pretty well.

Hon. Mr. HORNER: Pretty well in comparison with other countries?

Mr. GOLDBERG: Yes, sir.

Hon. Mr. HORNER: There is one question, Mr. Chairman, I should like to ask, but I do not suppose the Bureau of Statistics has made any particular study of the subject. It would be enlightening to the senator from Waterloo, and I should like to know, if any study has been made of the effect of the introduction of margarine on the cost of living, and its consequential effect on the curtailment of milk production and dairy herds.

The CHAIRMAN: I think that question is going a little too much into detail, and should be ruled out.

Hon. Mr. HORNER: It is a very pertinent question.

Hon. Mr. BEAUBIEN: It is a good question, Mr. Chairman.

The CHAIRMAN: It does appear to me that the explanation given by Mr. Goldberg as to the margin of error—

Hon. Mr. BEAUBIEN: Did you say "margarine"?

The CHAIRMAN: —is very small in relation to the volume involved.

Hon. Mr. EULER: If it is 5 per cent, I do not think anybody would find fault.

The CHAIRMAN: If there are no further questions, we will thank Mr. Goldberg for his attendance here this morning, and assure him that we shall endeavour to digest this intricate information.

Hon. Mr. EULER: I think he understands what he said much better than some of us do, but that is no reflection on him at all.

The CHAIRMAN: We will excuse Mr. Goldberg.

As I intimated at the commencement of the session, it was decided at one of the previous meetings during a discussion of expenditures under Films and Broadcasting, that we should endeavour to have the representatives from the Film Board, and at a different time have the representatives from the Canadian Broadcasting Corporation, to give us the information about their operations. Mr. Irwin is here now, and I would ask him to come forward and occupy the chair. Perhaps to begin with you would like to make an explanatory statement, Mr. Irwin.

Mr. W. ARTHUR IRWIN: Very well, Mr. Chairman. It might be useful if I were to sketch in outline what the Film Board is, its operational record for the last year, and perhaps say a word about some of the changes that have taken place during the last year.

The Film Board, first of all, is a group of people. At the end of March there were 533 of an actual working staff. This compares with a peak of 787 at the close of the war. The distribution staff is 166 people, of whom 100 were in the field outside Ottawa, in Canada, and 15 in offices overseas.

We maintain regional offices in each of the ten provinces and distribution offices in New York, Chicago and London.

In Ottawa we are housed in seven operational buildings, none of which were designed for film production operation, and most of which are inadequate for the purposes for which they are now being used. We also have three storage buildings. Investment in equipment is \$992,000.

Our gross expenditure last year was \$3,048,000.

Hon. Mr. HAIG: Does that include salaries?

Mr. IRWIN: Yes. Of that expenditure, the direct parliamentary vote to the National Film Board totalled \$2,307,000. The rest of the income came from sponsored operations, that is funds paid by other departments for the production of visual aids by the Film Board, and from non-governmental sources. The revenue from outside sources last year was \$238,000. Our film production last year totalled \$1,155,000. The distribution cost was \$961,000. If you want me to elaborate on the details of how those expenditures were divided up, I can do that.

Hon. Mr. HAIG: What was the revenue you received from all these developments?

Mr. IRWIN: The total revenue from the government?

Hon. Mr. HAIG: How much did you spend and how much did you take in?

Mr. IRWIN: We received \$3,048,000 and we spent \$3,011,000.

Hon. Mr. HAIG: Your total revenue was not \$3,048,000, because you got \$2,307,000 from the government. What did you sell the product of your work for?

Mr. IRWIN: May I say this? We have revenue from three sources: one, direct vote by Parliament; two, indirect vote of parliament through other departments; three, from the general public.

Hon. Mr. HAIG: What did you get from the general public?

Mr. IRWIN: \$238,000.

Hon. Mr. HAIG: That is what I wanted to know.

Mr. IRWIN: During the year just closed the staff was reduced from 577 to 533,—a reduction of just under 8 per cent. During the year we finished 187 film projects. That compares with 177 for the previous year. Of these film projects, 130 were full-length films of one reel or more. We also produced 37 news stories which went to international distribution in the United States, Europe and Asia. We produced 45 filmstrips as compared with 33 in the previous year. We also produced approximately 114,000 still-photo prints, largely for other departments of government. During the year our laboratory down at John street processed 11,278,000 feet of film. That represented an increase of 5.4 per cent over the previous year, and is the highest footage that the Board has processed since it was established in 1939. During the year the technical staff which handled that output was reduced by 7.1 per cent.

Looking at distribution: briefly, we have four main channels of distribution. One is theatrical films, Canadian and international; another, non-theatrical, Canadian and international; third, television, which at the moment is international; fourth, direct sale of prints, which are turned over to purchasers who use them as they see fit. Last year for the whole year our Canadian theatrical bookings were up 15 per cent. As of now they are running between 90 and 100 per cent above what they were at this time last year. In television our bookings for the year are up 262 per cent. That is almost entirely United States business. Our non-theatrical distribution in Canada is up 8 per cent during the year, and this year will reach an audience of something approximating—I have records for only the first ten months—9,600,000 people for the twelve months. In international, our audience was up 27 per cent—I am speaking now of non-theatrical—with a total audience of approximately 8,000,000 by the end of the year. During the year we placed 12,475 film prints in operation in Canada and abroad.

During the year the Board won 19 awards at various film festivals.

Hon. Mr. EULER: You made some free distribution of films?

Mr. IRWIN: That includes both free and purchased films.

Hon. Mr. EULER: Who purchased them? Theatres?

Mr. IRWIN: The theatrical distribution is entirely on a rental and royalty basis. There is no free distribution theatrically except in news reels. The distribution of 16 mm film is partly free and partly by sale of prints.

Perhaps I should say something about the changes that have taken place during the year in organization. As you know, I came in as Film Commissioner a year ago last February. A report was made shortly after that by the Woods-Gordon people, who made suggestions as to reorganization that should take place. One of the suggestions in this report was that the Commissioner should examine the operation of the Board and see what functions could be eliminated, if any. As a result of that the displays division, which manufactured displays for other government departments, was transferred to the exhibitions division of the Department of Trade and Commerce, which does similar work. The posters and publications design section, which designs publications for other departments, was transferred to the King's Printer; and a small microfilming operation which had been given to the Board during the war was also transferred to the King's Printer. As a result, what was known as the graphics production section was truncated, so to speak, and the other two sections remaining under graphics—still photos and film strips—were put under the Director of Production, so that the films, film strips and still photos are all administered by one director. This is in line with the recommendation of the Woods-Gordon report, and this did reduce overhead.

Hon. Mr. HAIG: The overhead is just transferred from your department to some other department?

Mr. IRWIN: Actually, sir, one could put it that way but the total cost of overhead was reduced. The net effect of this was to reduce total overhead.

Hon. Mr. HAIG: In your department?

Mr. IRWIN: In the government as a whole. Instead of having two administrative units you now have one.

Hon. Mr. HAIG: I cannot hazard a guess as to its amount because I have nothing to do with the other department.

Hon. Mr. HAIG: What I can't understand is where your products go. I do not frequent the theatres very often but I do not see any of your productions in the theatres I go to. I see the odd newsreel sort of thing but I do not see anything else. Where do we taxpayers get any benefit from this?

Mr. IRWIN: Let us look at newsreels first. Last year we shot thirty-seven news stories. These are sent to the newsreel pool in New York City. All the Canadian newsreels are made up in New York and are called the Canadian Locals. This material is fed into that pool and the operators there make a choice of the material they want to put on the Canadian screens.

Hon. Mr. HAIG: When I see a newsreel, part of which is produced by the National Film Board, will I recognize it as such?

Mr. IRWIN: It will not be earmarked as a product of the National Film Board even though it is a National Film Board news shot. It cannot be identified as such.

In the theatrical field we run two main series in both languages. We have Canada Carries On which is produced twelve times a year. Then we have En Avant Canada which is its counterpart in French, which is also produced twelve times a year. Then we have a news magazine type of reel, which deals with three or four subjects, and this is called Eye Witness.

Hon. Mr. EULER: Like you had last evening in the Railway Committee Room?

Mr. IRWIN: Yes.

Hon. Mr. EULER: Very few were there to see it.

Mr. IRWIN: There would have been a better audience had it not been so warm. Then we have Coup d'Oeil, which is the French counterpart of Eye Witness, for distribution in Quebec. Then we have a French series called Vigie. It may be that you did not happen to see any of these when you went to the theatre but they are shown as of now in approximately 750 theatres a month.

Hon. Mr. HAIG: The theatre gets the benefit.

Mr. IRWIN: The theatre rents these films on the ordinary commercial basis. They pay for them. They get benefit of the revenue from the audience. We get benefit because we are able to distribute our product, and I think it is fair to say that the country as a whole gets a benefit because audiences in all parts of the country see the development of Canadian life in other parts of the country.

Hon. Mr. REID: I was at a local theatre the other night and I saw part of a film I had seen in the Railway Committee Room a short time previous to that. This was at the Capitol Theatre. It was an Eye Witness film, and I recognized it as part of the film produced by the National Film Board that I had seen in the Railway Committee Room. Do you receive the revenue from the theatre or is there some intermediary party who takes a cut?

Mr. IRWIN: We distribute through a commercial distributor, following the trade practice. In Canada it is Columbia Pictures.

Hon. Mr. REID: Why should we not have our own name on the film? It did not say National Film Board. It gave no indication of where the film came from. Most films give the names of the actors, the directors, the producers and so on. This film had no such identification.

Mr. IRWIN: Was this in a theatre here?

Hon. Mr. REID: Yes.

Mr. IRWIN: The policy is that every film that comes out of the National Film Board is identified on the screen as such.

Hon. Mr. REID: The theatre takes the film from the distributor and I think perhaps they are taking the benefit.

Mr. IRWIN: Did you see both the lead-in titles and the end titles?

Hon. Mr. REID: Yes.

Mr. IRWIN: I should like to know more about this. I will investigate the matter because it is contrary to policy.

Hon. Mr. REID: I happened to see the same film in the Railway Committee Room. It is all very well to say that these films are educational and entertaining, but I am wondering just what we get out of it.

Mr. IRWIN: We get the distribution but we should get identification as well.

Hon. Mr. EULER: I thought you said a moment ago that you cannot always tell that it is a National Film Board products?

Mr. IRWIN: That is in newsreel shots.

Hon. Mr. EULER: Why not?

Mr. IRWIN: Because you may have ten subjects in a ten minute reel, and they may have come from all over the world. It is a trade practice not to identify individual news shots. We simply follow the trade practice.

Hon. Mr. REID: When they take a reel from you and exhibit in the theatre just a portion of it, do you get paid for the whole reel or just the portion that is shown?

Mr. IRWIN: I must confess that I am puzzled by your report and I shall certainly look into it. First of all, we get rentals for anything we show in the theatres apart from newsreels. They cannot break down one of our films without our approval.

Hon. Mr. HORNER: Do you mean that they have to show the whole of it?

Mr. IRWIN: No person can change one of our films without our permission any more than they can publish half a novel without the author's permission.

Hon. Mr. REID: In the film I am referring to which was shown at the Capitol Theatre they gave a half-minute shot from the Eye Witness film I had seen in the Railway Committee Room the night before. They must have had the whole reel and taken one portion of it.

Mr. IRWIN: Was this in a newsreel?

Hon. Mr. REID: No.

Mr. IRWIN: Did it show in the theatre as an Eye Witness?

Hon. Mr. REID: Yes.

Mr. IRWIN: I cannot understand that.

Hon. Mr. REID: It was not the same Eye Witness all the way through as the picture I had seen in the Railway Committee Room. It was just a portion of it.

Mr. IRWIN: The only explanation I can think of offhand is that it may have been a stock shot.

Hon. Mr. REID: I was interested in it because it showed a member of parliament and his family. This is what brought my attention to the picture. Then the film went on to something else. I am wondering whether they had the whole reel and just used that portion of it, because it was not the same reel that I had seen before. They did not continue to show the scene of the smelting company that was shown in the other film. I am wondering how you get paid

for that. If the whole reel is hired out do you get paid for that or do you just get paid for the portion that is used? The country is paying for these reels and we should know about this.

Hon. Mr. HAIG: Yes.

Mr. IRWIN: No theatre can show any of our films without paying rental for them.

Hon. Mr. EULER: Do you go after that business? Do you try to distribute it?

Mr. IRWIN: Yes.

Hon. Mr. EULER: Do you have a selling organization?

Mr. IRWIN: Yes. As a matter of fact, that is the point I wanted to raise. Since the turn of the year we have established a commercial distribution section in the distribution department. There wasn't such a thing before.

Hon. Mr. EULER: It goes right after the business, does it? You do not wait until the theatres come to you?

Mr. IRWIN: Not at all, and we are intending to push that intensively. The man who is at the head of this section was formerly in business.

Hon. Mr. REID: You had a special film called Red Runs the Salmon in which we of the International Pacific Salmon Fisheries Commission were interested. Theatres across the country advertised it and drew very favourable comment. When I made inquiries I found out that it had been sold to Hollywood.

Mr. IRWIN: When was this, may I ask?

Hon. Mr. REID: A year and a half ago. After going to all the expense of making such a beautiful film why did we turn around and sell it to Hollywood? I should like some information about that. The taxpayers of this country paid for it and I should like some information as to what it cost to produce and what we got for its sale.

Hon. Mr. HAIG: That is exactly what we want to know.

Mr. IRWIN: I cannot answer that now. I shall get the information and give it to the committee. We are discussing here something with which I am not familiar. I have no opinion about it until I know the facts.

Hon. Mr. BASHA: Could not two photographers be taking the same scene? This would answer the question.

Mr. IRWIN: That is perfectly possible.

Hon. Mr. McLEAN: Duplicate reels.

Hon. Mr. REID: No, this is a special one of Hell's Gate Canyon, taken when we were operating the fisheries.

Hon. Mr. ISNOR: Mr. Irwin, you spoke of transfers of certain employees to other departments. How many employees were involved in those transfers?

Mr. IRWIN: Speaking from memory, I think there were eighteen.

Hon. Mr. ISNOR: Then are you showing an increase or a decrease in employees this year?

Mr. IRWIN: Do you mean overall?

Hon. Mr. ISNOR: Yes.

Mr. IRWIN: A net decrease.

Hon. Mr. ISNOR: There were only eighteen employees involved in the transfers?

Mr. IRWIN: That is right.

The CHAIRMAN: The Film Board produces films and pictures of various aspects of Canadian life. As I understand it, these are distributed to a large

number of theatres in the United States and other countries. How many theatres in the United States use these pictures, Mr. Irwin?

Mr. IRWIN: At the moment our theatrical distribution in the United States is not as large as I think it should be. That is one reason why we are setting up this commercial distribution department.

The CHAIRMAN: Precisely what distribution are you getting now?

Mr. IRWIN: In gross bookings, roughly between five and six thousand.

The CHAIRMAN: That is bookings?

Mr. IRWIN: That would be individual theatres.

The CHAIRMAN: What circulation have you in other countries? Have you any in South America?

Mr. IRWIN: You are talking now of theatrical or non-theatrical or television?

The CHAIRMAN: I am referring to pictures of Canada that are shown outside of Canada through your agency.

Mr. IRWIN: We operate in the non-theatrical field through External Affairs and we have non-theatrical distribution in forty-four countries.

The CHAIRMAN: Just explain to us, will you, how that is done.

Mr. IRWIN: We have libraries in fifty-seven Canadian posts in those forty-four countries. Those libraries are maintained at the embassies or posts and serviced by their information personnel.

The CHAIRMAN: What happens from there on?

Mr. IRWIN: They have screenings for selected groups. They may send our films for use in schools, for use by adult educational groups, and so on, depending on the country. We keep detailed records and we get reports every three months from each of the posts, and so we are able to say that in such and such period so many people in Malaya, for instance, saw these pictures.

Hon. Mr. REID: What is the object of that?

The CHAIRMAN: Just a moment. These pictures distributed in that way are pictures dealing with some phase of Canadian activity?

Mr. IRWIN: That is right, sir.

The CHAIRMAN: Outside of that you have the theatrical distribution?

Mr. IRWIN: Yes, sir.

The CHAIRMAN: In what countries have you theatrical distribution?

Mr. IRWIN: The main countries where we have theatrical distribution are Great Britain, the United States, North Africa, France, and some in Australia and some in New Zealand. There are some twenty other countries in which we have contracts, but these are small. I do not think we have more than touched the fringe of the potential of theatrical distribution.

The CHAIRMAN: I think that is very important. I take it that these pictures are shown in theatres of some kind or other.

Mr. IRWIN: That is right.

The CHAIRMAN: Have you any idea of the audiences you reach in that way, the total number of people?

Mr. IRWIN: In the past various figures have been given, up to as high as 200 million a year, but I do not think we should use these figures, because they are little better than a guess. A little while ago we took some shots of a reindeer round-up in the Northwest Territories. We were doing some other work up there for the Department of Resources and Development and the camera man was instructed to pick up whatever news shots he might be able to get. One of these was of a reindeer round-up, and that went into the newsreel pool and was used in four reels in Canada and in two of the major reels in the United States

and in three in South America. It is estimated that that newsreel might have reached an audience of 200 million people.

Hon. Mr. HORNER: But what revenue did that bring in?

Mr. IRWIN: There was no revenue from it. That distribution was for information purposes.

Hon. Mr. HAIG: What puzzles me is why we want to show in the United States pictures of a round-up of reindeer in the Northwest Territories. That kind of thing cannot do Canada any good at all. I am a hombre who has to pay income tax and I do not like to see my money spent on the showing of pictures of reindeer to people in the United States or Brazil or other countries. I should like Mr. Irwin to tell us what good Canada gets from the distribution of these pictures.

The CHAIRMAN: Just a minute.

Hon. Mr. HAIG: You have talked a good deal, Mr. Chairman. You have talked more than any of us this morning. Give the rest of us a chance.

The CHAIRMAN: Just a moment, Senator Haig. You will have your question answered. I have sat back here and listened pretty patiently, I think.

Hon. Mr. HAIG: You have talked more than any other member of the committee this morning. That is not fair. The chairman is supposed to listen.

The CHAIRMAN: We shall try to get someone to count the words later.

Hon. Mr. HAIG: I want to ask Mr. Irwin what is the object of all this, whether he can show me the justification for advertising a round-up of reindeer and other such things to people in the United States and a lot of other countries. How under heaven can Canada get any good from the showing in these countries of a picture of a round-up of reindeer?

Hon. Mr. BEAUBIEN: It advertises Canada.

Hon. Mr. HAIG: In what way?

Hon. Mr. BEAUBIEN: In various ways.

Hon. Mr. HAIG: I cannot see any advertising value in that. This spring I saw a picture of cariboo running across the Churchill river. It was a nice picture to watch, but what good does Canada get out of the showing of a picture like that? I want an answer to this general question: what is the value to Canada of all this propaganda?

The CHAIRMAN: Now that Mr. Irwin has a chance to speak, he will no doubt answer the question.

Mr. IRWIN: Mr. Chairman, under the National Film Board Act, 1950, the Board is charged with the duty of using film as a medium of transmitting information about Canada and Canadian activities to Canadians themselves and to the people of other countries. That duty is imposed upon the board by parliament. We are asked at the moment why we should show abroad a picture of Canadian reindeer. In the first place, it seems to me that whether or not we are going to have information about Canada disseminated abroad through any government agency is a matter of government policy, and as a civil servant I am not in a position to comment on government policy.

Hon. Mr. REID: Who designates the various countries to which films are sent? There are countries which, in my opinion, are of no great value in which to advertise Canada. When I look at the sixty or eighty countries of the world I would pick out certain ones; I do not think it is wise to publicize Canada in every country, because we have no dealings with at least twenty of them. I am wondering who sets the policy as to the countries. For instance, take the Latin American countries where there are some 1370 bookings; I can't see more than a dozen Latin Americans coming up to Canada. It may be

a nice gesture to educate the children and show them what Canada is, but who tells you the countries that we should send films to?

Mr. IRWIN: Any decision as to policy in respect of distribution abroad is made in close collaboration with the Department of External Affairs and the Department of Trade and Commerce.

Hon. Mr. REID: But is it the minister, or the departmental officials? Does the Minister of External Affairs and the Minister of Trade and Commerce direct that policy, or is it the departmental officials, that is what I should like to know?

Mr. IRWIN: In dealing with any department we must deal with the minister or his designated official.

Hon. Mr. GOLDING: Mr. Chairman, the answer that the witness gave to Senator Haig was the answer to a question that I was about to ask. It seems to me we are questioning this witness on matters which are entirely government policy. If we want to get that information, we should have the minister here instead of this witness. This man is a civil servant, and he is only carrying out the duties and responsibility of a department that was established by Act of Parliament. He is not the witness we should be questioning as to matters of policy.

Hon. Mr. REID: What question is Senator Golding referring to now? Is he raising an objection to any questions I have asked as to what revenue we get from theatres?

Hon. Mr. GOLDING: No.

Hon. Mr. REID: The witness does not need that protection from me; I don't want any statements as to policy. I only want information about his department.

Hon. Mr. GOLDING: Will my friend allow me to ask a question? I am not referring to any question he asked, but as to one asked by our good friend Senator Haig. Don't shut off everybody else from asking a question once in a while.

Hon. Mr. ISNOR: Mr. Chairman, I am one of those who is strongly in favour of the good work being done by the National Film Board, and in that way I differ from many of my colleagues.

Hon. Mr. BEAUBIEN: You don't differ from me.

Hon. Mr. ISNOR: I said "many". Mr. Irwin must know of the criticism, which I think centres largely around expenditures. The public would like to know what it costs to produce stills, for instance, and what revenue is received in return for them, what good they are doing and their distribution. Could you give us that information, Mr. Irwin? Tell us the total cost of your stills, and the total revenue from them, so that we can place one against the other and know whether your department's activities on stills is worthwhile.

Hon. Mr. REID: And add to that—

Hon. Mr. ISNOR: Now, stop there, and do not get the matter confused.

The CHAIRMAN: Order!

Hon. Mr. BEAUBIEN: I think Mr. Irwin should be allowed to continue with his statement. That was the agreement at the outset. Let him make a statement, and then we can ask questions afterwards.

The CHAIRMAN: The questions are quite in order.

Hon. Mr. BEAUBIEN: You are not getting anywhere with them.

Mr. IRWIN: May I put on the record an answer to the question as to our expenditures on various types of production last year? On films we spent \$1,155,000, on film strips \$47,000.

Hon. Mr. ISNOR: Stick to the question I asked as to stills.

Mr. IRWIN: On the stills service operation as a whole we spent \$121,000.

Hon. Mr. ISNOR: And your revenue?

Mr. IRWIN: The total revenue from all three of these—

Hon. Mr. ISNOR: From the stills.

Mr. IRWIN: What do you mean by "revenue"? We had better define our terms.

Hon. Mr. ISNOR: You know more about them than I do. You know the term "stills"; you have used it, and it shows in your report. You have given us the figure of \$121,000 for the production of stills, and of course you know what stills are.

Mr. IRWIN: Yes.

Hon. Mr. McLEAN: What kind?

Hon. Mr. ISNOR: I am asking you for the revenue resulting from the use of stills.

Mr. IRWIN: The total revenue was \$121,000.

Hon. Mr. ISNOR: The total revenue?

Mr. IRWIN: Yes.

Hon. Mr. ISNOR: I thought you gave us that as the production cost.

Mr. IRWIN: \$121,000. We have to balance our books.

Hon. Mr. ISNOR: Your total production costs on all stills was \$121,000?

Mr. IRWIN: Yes.

Hon. Mr. ISNOR: And your revenue was exactly \$121,000?

Mr. IRWIN: Yes.

Hon. Mr. ISNOR: How do you get that revenue?

Mr. IRWIN: We get it from three sources; a direct vote by parliament—

Hon. Mr. ISNOR: Is that a revenue?

Hon. Mr. HAIG: That is what he told me.

Hon. Mr. ISNOR: That is why I am following up your questions. From a business standpoint, Mr. Irwin, we set up the cost of certain articles of production . . .

Mr. IRWIN: Yes.

Hon. Mr. ISNOR: In this particular case your cost is \$121,000.

Mr. IRWIN: That is right.

Hon. Mr. ISNOR: From the use of that production on stills you get a certain return in the way of dollars and cents. Would you mention the source, apart from the government, and show what the actual income or revenue is from these stills?

Mr. IRWIN: The direct vote is \$75,000.

Hon. Mr. ISNOR: That is the vote from the government.

Mr. IRWIN: That is right; that is a direct vote to the Film Board by parliament. And the payment by other departments of government was \$41,000. We do not sell to the trade; we do not operate a commercial still photographs business.

Hon. Mr. ISNOR: Then you get no revenue other than from the government source?

Mr. IRWIN: Sales to outside purchasers were \$6,900 last year.

Hon. Mr. ISNOR: Thank you very much, that is the answer. Out of \$121,000 cost of production you get \$6,900 return from outside sources?

Mr. IRWIN: That is right; but we are not operating in the commercial field. It is a deliberate policy that we don't do so.

Hon. Mr. ISNOR: I just wanted to find out what you are doing with your stills.

Hon. Mr. BEAUBIEN: What is a "still"?

Mr. IRWIN: It is an ordinary photograph.

The CHAIRMAN: Are you through, Senator Isnor?

Hon. Mr. ISNOR: I think I have an answer.

The CHAIRMAN: If I may be permitted to make an observation—

Hon. Mr. BEAUBIEN: We will permit you to, Mr. Chairman.

The CHAIRMAN: —it is this: Taking the reindeer film which was shown in South America as an illustration, the government of Canada, at considerable expense, maintains trade agents in foreign countries. There is a substantial number of these trade agents in South America, in the United States and elsewhere, and today they are trying to establish trade connection in countries in which they, for the time being, are representing Canada and are interested in increasing the volume of trade and getting people in these countries familiar with Canada. It seems to me that the chief value that comes out of the distribution of films, if it is economically and efficiently done—that is always of prime consideration—is the advertising value. Now, Senator Isnor is a merchant—

Hon. Mr. ISNOR: Forget that angle.

The CHAIRMAN: Just a moment, please.

Hon. Mr. ISNOR: The other senators want to know those figures too.

The CHAIRMAN: Just a moment. Senator Isnor is a merchant; he may spend \$50,000 a year in advertising. If you ask him, "Now, you show me the direct results in sales that you got from So-and-So and So-and-So and So-and-So through your advertising", he cannot do it.

Hon. Mr. ISNOR: Yes, he can do it. Not exactly, but he can say that radio produces so much, direct mail produces so much, newspaper advertising produces so much. That is what we are getting at.

The CHAIRMAN: But that would not be accurate.

Hon. Mr. ISNOR: No, but it would be accurate enough to satisfy the man who is interested in advertising.

The CHAIRMAN: After all, the business of advertising is to build up goodwill among customers.

Hon. Mr. REID: I wonder if I might have an answer to my question.

The CHAIRMAN: I venture that observation as a consideration which should not be overlooked when we are considering these expenditures. The two basically important considerations are, is the work being done efficiently, and is it being done economically?

Hon. Mr. BEAUBIEN: To the benefit of the country.

The CHAIRMAN: For the benefit of the country as a whole.

Hon. Mr. REID: I think, in fairness to Mr. Isnor it should be said that all of us, or at any rate most of us, are in favour of the Film Board, but some of us who are asking these questions are a little alarmed at its ramifications and are beginning to wonder where it is going. That is why I personally have asked these questions. I am not, and I do not think others are, against the Film Board, and I think that should be made clear. But I do want to know what is the revenue received for the films which Canadian and other theatres take from the National Film Board, and how it compares with the cost of production. You may produce a mighty nice film, and it may be acceptable to Canadian or United States theatre-goers, but it may have cost considerable money—the cost would vary, of course, according to the film and the length of the reel—so I would like to know what revenue you get from the Canadian theatres for the

use of these films and how it compares with the cost to the country. But in asking questions of this kind I do not want anyone to think that I am against the National Film Board. I am not, but I am alarmed about where we are going. It is now 1 o'clock, but I have other questions to ask yet when Mr. Irwin comes back.

Hon. Mr. GOLDING: I think it is perfectly right and proper for this committee to ask for all information in regard to expenditure and revenue in connection with this department. Those questions are perfectly in order to be addressed to this witness. But when it comes to the matter of policy, it must be remembered that this department is set up for certain purposes, and if we want to ask those questions we should have the Minister here.

Hon. Mr. REID: That is perfectly right. When I asked Mr. Irwin who sets the policy I was not putting him on the spot as to policy. But in looking over the list of countries in which you operate, it is interesting to note that in 1950 you had in Latin America nine distributors and 1,370 bookings, and in the United Kingdom, a country with which we do a great trade, there were only five distributors and about twice as many bookings as in Latin America. Naturally the thought arises in my mind, why are we going into Latin America? What is the object? You can easily have a good many bookings in Canada, and no doubt many come. Who would not go to a free show? Why do we provide films free? Who sets the policy about going into Latin America with a greater number of distributors than there are in Great Britain, and with only 50 per cent of the bookings as compared with a great trading country like Britain? If I were looking for settlers, if I were looking for trade, I would think that greater emphasis should be placed on operations in the United States and in Great Britain. At least I would do so if my purpose was to let people know what a lovely country this is, and how many fine things we have in the Dominion of Canada. If I were interested in these objects I would go to the countries from which we expect people to come here. But no one, at least very few, come from Latin America to Canada to stay. So naturally the thought arises in my mind, who told you to make all these bookings in Latin America? I think the matter should be reviewed.

Mr. IRWIN: Mr. Chairman, I am not sure which question you want answered first. I don't know if I can remember them all.

Hon. Mr. REID: The first is as regards the revenues from theatres.

Mr. IRWIN: Let me deal first with Latin America. I think I agree with the implication of the senator's question. I think our circulation in the United Kingdom and other Western European countries should be markedly increased. At the moment we are not putting any pressure on South America. The committee may be interested to know, Mr. Chairman, that in the last six weeks we have had a trained distribution man in Europe examining the possibilities of expanding the distribution of the Film Board pictures in the countries of Western Europe. This man returned to Canada on Monday, and I expect to have his final report in the next ten days. He was loaned to us by the chief theatrical organizations in Canada, or for that matter, in the world. He is a highly trained man, and went to Europe for the specific purpose of developing channels of the kind you are talking about.

Hon. Mr. REID: I can see the good of that, but not—

Hon. Mr. BEAUBIEN: Mr. Chairman, it is 1 o'clock, and I think we have done pretty well.

The CHAIRMAN: We will not ask Mr. Irwin to come back again, because we have not the time.

Hon. Mr. REID: There is one very important question about which we should know something, and that is television. We are not yet in television, but

here is an item for it, and I would like to have the story. I know that we shall probably use the National Film Board when television gets in operation in Montreal or Toronto, but it is not there yet, and personally I should like to know why we are making films for television for some other country, especially when you read the report that has just been tabled in parliament by this commission.

Hon. Mr. HAIG: As far as I am concerned, I do not need Mr. Irwin back, because he answers my question by telling me "It is a matter of public policy, and I can't answer it." Any further questions I would ask are "passed out". He was not able to answer my questions because he sheltered himself behind government policy, and the committee endorsed that, so I cannot go any further, because I am shut up. So far as I am concerned there is no necessity for him to come back.

Hon. Mr. BEAUBIEN: Well, surely other people would like to ask questions.

Mr. IRWIN: I do not know what the status of a civil servant is in this connection, but the statement was made that I could not answer a question.

Hon. Mr. HAIG: I asked you why the policy was such-and-such a thing, and you said "It is a government matter, and I cannot answer it"; and Senator Golding said that your answer was quite a proper one.

The CHAIRMAN: Order.

Hon. Mr. HORNER: You have no business to ask the question!

The CHAIRMAN: Probably the Broadcasting Corporation officials could give us more information on television than Mr. Irwin can.

Hon. Mr. REID: No, they are making the films for television. I would like to hear the story of that. We are not yet in television in Canada; and the report that has been brought down does mention specifically films and the relationship in future with the Canadian Broadcasting Corporation.

Mr. IRWIN: In the first place the films now in distribution were not made for television, they were taken from stock made for theatrical showing. In the second place, new techniques in the production of films are developing, as a result of television: it is hoped that these techniques will reduce the cost of producing films, first for television, and secondly for theatrical presentation. We in the Board have been experimenting with some of these techniques on a modest scale, to see whether or not we can get our cost of production down to a point where it will be possible to use films for television. Third, the CBC is charged by parliament with the duty of developing a television system in Canada. That is none of our business. Where films may be used in television, however, we have been in consultation with the Canadian Broadcasting Corporation about how they may want to use films. Our approach to the whole problem is that there should be no duplication of government services in respect of film and in the television field.

Hon. Mr. REID: Have any of the films which have been developed for television been sent across the border to the United States or to other countries?

Mr. IRWIN: Not yet. The experimental work has only been done in the last few months.

Hon. Mr. REID: It is experimental work, looking to the future?

Mr. IRWIN: Yes.

Hon. Mr. BEAUBIEN: I move that we adjourn.

The CHAIRMAN: Before the committee adjourns I want to say that I am going to try to have a meeting tomorrow morning and if it is possible we shall endeavour to get the C.B.C. people here. I am sure we shall have an interesting session.

The committee adjourned until tomorrow morning at 11 a.m.

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Canada - Finance, Standing
Committee, Estimates

1951

THE SENATE OF CANADA

Government
Publications



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 9

THURSDAY, JUNE 7, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

- Mr. H. F. Greenway, Director, Labour and Prices Division, Dominion Bureau of Statistics.
- Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division, Dominion Bureau of Statistics.
- Mr. A. D. Dunton, Chairman of the Board of Governors, Canadian Broadcasting Corporation.

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1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., Chairman

The Honourable Senators

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Robertson
Roebuck
Ross
Taylor
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Vaillancourt
Vien
Veniot
Wilson

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, JUNE 7, 1951

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present:—The Honourable Senators: Crerar, Chairman; Aseltine, Barbour, Basha, Buchanan, Burchill, Euler, Farquhar, Golding, Haig, Horner, Howden, Hugessen, Isnor, McLean, Petten, Reid and Wilson—18.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

The following were heard:—

Mr. H. F. Greenway, Director, Labour and Prices Division, Dominion Bureau of Statistics.

Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division, Dominion Bureau of Statistics.

Mr. A. D. Dunton, Chairman of the Board of Governors, Canadian Broadcasting Corporation.

At 1.00 p.m. the Committee adjourned.

At 4.00 p.m. the Committee resumed.

Present:—The Honourable Senators: Crerar, Chairman; Aseltine, Barbour, Basha, Buchanan, Burchill, Farquhar, Fogo, Golding, Haig, Howden, Isnor, King, Lambert, McLean, Quinton and Reid—17.

Mr. A. D. Dunton, Chairman of the Board of Governors, Canadian Broadcasting Corporation, was further heard.

At 5.30 p.m. the Committee adjourned until Tuesday, June 12, 1951, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, June 7, 1951.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before parliament for the fiscal year ending March 31, 1952, met this day at 11 a.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Gentlemen, I can briefly state the matters for this meeting of the Committee. Yesterday some questions arose as to how the cost of living index was worked out, that is those interesting figures we get each month showing how much more or how much less we pay for our requirements. There was a further question as to why a certain period—I think it was 1935-39—was chosen as a base period. We have present this morning Mr. H. F. Greenway, Director of the Labour and Prices Division of the Dominion Bureau of Statistics, and Mr. L. E. Rowebottom, also of the Bureau. I would suggest that, if this meets with the wishes of the Committee, that Mr. Greenway or Mr. Rowebottom give us a short survey of the development of the cost of living index.

Mr. H. F. GREENWAY, Director, Labour and Prices Division, Dominion Bureau of Statistics: Mr. Chairman and honourable members of the Senate Committee on Finance, I believe that Mr. Goldberg told you a good deal about the cost of living index yesterday, and that all that should be required now is a brief comment on some of the more detailed points regarding the construction of the index and the fundamental purpose that we have in making the index. I think it is particularly important to be clear at the start that we are trying to measure price changes only. A considerable amount of confusion has been created in one way or another regarding the purpose of this index. It is sometimes considered to be what we might call a double-barrelled affair, a measurement not only of price changes but also of changes in the standard of living. It is not correct to use it in this sense. It is purely a measurement of changes in consumer prices from month to month and year to year. More specifically, it is designed to measure the influence of changes in prices of goods and services upon the cost of a representative urban wage-earner's family budget.

I think the main point of interest that you are concerned with this morning is the question of how a measure of this kind is constructed. The answer is simply this: by pricing essentially the same family budget from month to month over considerable periods of time. The first point following on from there is, what budget is used. Since the index has been constructed we have used a series of different budgets. The history of the index goes back to 1913. It is obviously not reasonable to maintain a 1913 budget indefinitely, and we have made periodic changes. Following from the original 1913 budget there was a new one established in 1926. The one we are now using is based on a survey of wage-earner family expenditures in 1937 and 1938, as I believe Mr. Goldberg told you. At that time we organized a staff of trained investigators who canvassed families in twelve representative cities from Charlottetown to Vancouver, and they took a representative sample of actual family expenditure records. The families included in this survey had earnings ranging up to about \$2,400 or \$2,500 a year. They were families with from one to five

children; they lived in self-contained dwellings—that is, they had their own private homes; and they were completely self-supporting. We aimed to get a budget which would be representative of a typical wage-earner family.

This budget is divided for purposes of index use into six sections, and we can relate these sections to what we call the consumer dollar. I think it will be of interest to you to summarize briefly the proportion of this dollar that went into each of these main groups. On an average 31 cents was spent for foods, 19 cents for rent, 6 cents for fuel, 12 cents for clothing, 9 cents for home furnishings and services and 23 cents for the remaining items in the budget, which include health care, transportation, recreation and other items.

Hon. Mr. BURCHILL: Would you mind running over those figures again?

Mr. GREENWAY: Certainly. The consumer dollar was divided this way: 31 cents for food, 19 cents for rent, 6 cents for fuel and light, 12 cents for clothing, 9 cents for home furnishings, that is furnishing the home and supplying it with services such as laundry and telephone, and for the remaining 23 cents such items as health care, recreation, transportation and a few of the incidental items.

Hon. Mr. HUGESSEN: Does that include such items as savings, insurance and that sort of thing?

Mr. GREENWAY: It does include insurance as a consumer expenditure, but it does not include savings such as the money you put in the bank or the bonds or annuities you buy.

Hon. Mr. HUGESSEN: But it does include insurance?

Mr. GREENWAY: It does include insurance. Those figures are important because we use them in figuring out the final importance of these main groups in the overall cost of living index. In other words, food at 31 cents will be roughly five times as important as fuel at 6 cents.

Hon. Mr. ASELTINE: Why?

Mr. GREENWAY: Well, because you spend five times as much on food as you do on fuel; therefore, it is reasonable, I think, to give food that degree of importance in relation to fuel.

Hon. Mr. ASELTINE: We now have 16 inches of snow out West and this year we have to heat our homes all summer.

Mr. GREENWAY: According to the survey you are able to do that. This of course adds up to quite a few dollars in the course of a year.

Hon. Mr. ASELTINE: What part of the country does that apply to?

Mr. GREENWAY: It is a Canada figure, sir. We have only one cost of living index. It would be of interest to have regional figures. I might say that we have certain city costs of living index; that is of some importance from your point of view. These city indexes show almost exactly the same ups and downs over a period of time as the main index for Canada shows.

Hon. Mr. BUCHANAN: Are the percentages that you have given based on 1937-38 survey?

Mr. GREENWAY: That is right, sir.

Hon. Mr. BUCHANAN: Do the same percentages apply today?

Mr. GREENWAY: They still apply to the index we are issuing today.

Hon. Mr. BUCHANAN: There is no difference in the percentages?

Mr. GREENWAY: No.

Hon. Mr. BUCHANAN: That is, between 1937-38 and say 1950-51?

Mr. GREENWAY: This is in line with the procedure that I outlined in the beginning of my remarks. We are now working upon a further general revision in the index that will change these figures somewhat.

Hon. Mr. HOWDEN: It is reasonable to assume that it would change a point or two from season to season?

Mr. GREENWAY: That is right.

Hon. Mr. HOWDEN: One very rugged season, so far as the weather was concerned, would require another season that wasn't so severe to balance the figure?

Mr. GREENWAY: That is quite true, but in order to get at this basic idea of following price change only—and not confusing that with changes in the various amounts of goods and services—we have to accept the limitation of a constant budget. There are very minor changes made from time to time in the composition of the budgets.

Hon. Mr. HOWDEN: That is the nearest you can come to the mean average?

Mr. GREENWAY: That is true, sir.

Hon. Mr. HAIG: You said that the rent figure was 19 cents out of the dollar?

Mr. GREENWAY: Right.

Hon. Mr. HAIG: And that was in a self-contained owned residence?

Mr. GREENWAY: No; simply self-contained.

Hon. Mr. HAIG: You gathered the rentals at that time, but when you came to 1941 and subsequent years you ran into rent controls. Rent controls are now slipping; I mean by that that under the new regulations of later years we did away with rent control if a tenant moved out of a building or if the building was constructed after January of, I think, 1947 or 1948. Which one of those figures did you use, those on the controlled houses or those that were not controlled, when you made your estimate in 1949-50?

Mr. GREENWAY: We used them both. I should like, if I may, to comment on the prices of goods and services used in the various sections of the index.

Hon. Mr. HAIG: Very well.

Hon. Mr. ASELTINE: That is roughly one-fifth of the dollar goes for rent?

Mr. GREENWAY: Yes.

Hon. Mr. ASELTINE: Is that quite in line with the usual costs for rent?

Mr. GREENWAY: The figure of one-fifth has been used very widely and seems to have been typical of shelter costs in general up until the post-war period. It may seem strange, but the results of our post-war survey and of similar surveys in other countries, in the United States and I believe elsewhere, show that this percentage is declining, presumably because incomes are rising faster than shelter costs.

Hon. Mr. ASELTINE: Or because of controls.

Mr. GREENWAY: Partly on account of them. It is true that a great many homes were still controlled at the time of our survey.

Hon. Mr. REID: Is any allowance made for the various provinces? I have in mind that in Vancouver 85 per cent of the people own their own homes and do not rent, whereas in a city like Ottawa, perhaps only 15 per cent own their homes and the rest rent. Does it make any difference in the general comparison? I realize you have to strike an average, but you have given the figure of 19 cents for rent.

Mr. ROWEBOTTOM: That 19 cents covers shelter; it is not for rent, but is an accommodation expenditure.

Hon. Mr. HUGESSEN: In cases where the man owns his home, it would cover taxes.

Mr. GREENWAY: The 19 cents, as Mr. Rowebottom has pointed out, is an average for shelter including an owned home, but the index is an index of a charge for rent. No country in the world has to date succeeded in establishing what we might call a true shelter index; it has been based in all cases on the assumption that rents and costs of maintaining owned homes move pretty closely together. Now of course our experience during the war was quite different from that, because the rents were controlled, and your owner-occupied shelter expenses were not subject to the same limits of control. We are now endeavouring to come up with something better in the way of a shelter index. We are working on these problems that have been baffling index number-makers up to now, and we have reasonable hope of coming up with a series which will measure both rents and home-owner costs. Of course we cannot promise that, but I just simply say this to make it clear that we are aware of the limitation of using rents alone.

Hon. Mr. EMMERSON: The cost of shelter is not very different to the one who rents and the one who owns his own property?

Mr. GREENWAY: That is true.

Hon. Mr. HAIG: Unless there is control. Once you put control in you upset the whole thing.

Hon. Mr. ASELTIME: It seems to me it costs more to own a home in Ottawa than it does to rent one, because of high taxes and high upkeep.

Mr. ROWEBOTTOM: What we are measuring is not the absolute cost of owning a home as against renting a home. All we are concerned with in this index is measuring the change in the cost of either renting or owning, and it seems to be true that the changes in either of them are very close together. It may cost more. But what we are measuring is the change in cost of owning a home or renting a home, as the case may be.

Hon. Mr. EMMERSON: But the difference is not very great.

Mr. ROWEBOTTOM: It does not seem to be. That is quite true.

Mr. GREENWAY: If I may conclude with one or two remarks on the pricing of this budget, which will take account of Senator Haig's question on the material used to measure changes in shelter costs, that would be all I would have to add, sir. The prices that we use in computing this index each month are collected directly from storekeepers, grocers, butchers, department stores, doctors, in the case of medical fees, and so on. The basic idea is to collect prices right from the people who know most about these prices. We have a small but competent staff of price collectors situated in some of the larger cities, and in other cities not quite so large but which are key distributing points throughout the Dominion, and we are very careful to get prices for exactly the same grade and quality of each commodity from month to month. It is necessary from time to time to change from one quality to another, depending on things that are available in the market. But when these changes are necessary we take care to match prices for the new specification or new brand so that we can compare this month and last month on exactly the same basis.

Rent information is obtained directly from tenant occupants. At quarterly intervals the Bureau's labour force field staff makes a special inquiry on a sample basis which provides us with matched records of rents in new homes, homes of all ages, homes which during the control period were controlled and those which were not controlled, on a basis which should give proper weight to all tenant-occupied homes. This is a procedure which it has been possible to follow only in the last five years, and represents one of the major improvements in our price collection work that has been possible as a result of the establishment of the labour force staff.

I think that in view of the time limitation that is all that I had better say. It covers the main points which I had in mind.

Hon. Mr. BUCHANAN: Has a survey enabled you to find out if the cost of living is less in some provinces than in others?

Mr. GREENWAY: No, sir, it simply enables us to follow the movements in price levels across the country and for the eight separate cities for which we construct individual cost-of-living indexes.

Hon. Mr. EULER: But you do find prices varying in different parts of the country? Perhaps in the extreme west you pay more, or less, for meat than you do in Ontario? Or do you average these up?

Mr. GREENWAY: That is right.

Hon. Mr. ISNOR: What are the cities?

Mr. GREENWAY: Halifax, Saint John, Montreal, Toronto, Winnipeg, Saskatoon, Edmonton and Vancouver.

Hon. Mr. REID: You have none in St. John's, Newfoundland?

Mr. GREENWAY: We are presently working in co-operation with the Newfoundland Department of Supply on a series for the city of St. John's.

The CHAIRMAN: You spoke a moment ago about an inquiry you are conducting at present. You are looking to the possibility of establishing a new index. Is that under way?

Mr. GREENWAY: Yes, sir.

The CHAIRMAN: Well, then, would I be right in assuming that as a result of this inquiry you will establish an index probably on the basis of the present price level?

Mr. GREENWAY: Are you referring to the period of time that we will call 100?

The CHAIRMAN: Yes.

Mr. GREENWAY: No decision has been made regarding the period which will be considered as 100. That is still to be decided.

The CHAIRMAN: At the present time you take the average of prices on the base period from 1936 to 1939?

Mr. GREENWAY: From 1935 to 1939.

The CHAIRMAN: With regard to these figures here you take 100 for that period?

Mr. GREENWAY: Yes.

The CHAIRMAN: Comparing prices in May with the base period, which was roughly twelve to fourteen years ago, we find that at the beginning of May it is 182; so that means that the average cost of this family budget has increased by 82 per cent?

Mr. GREENWAY: That is correct.

The CHAIRMAN: Does your branch or anyone in the Bureau relate the cost of living index to a wage level? In other words, have you any idea of what the wage level over a certain range, say, 1936 to 1939, would be as compared with today?

Mr. GREENWAY: There are several measurements possible as between the cost of living index and wages. I cannot recall any of the wage series figures precisely, but I could say that I am quite confident that the index of wage rates as compiled by the Dominion Department of Labour in relation to 1935-39 now stands at least 100 per cent higher than it did in the base period.

Hon. Mr. EULER: It would mean that the wages have advanced more rapidly than the general cost of living?

Mr. GREENWAY: Wage rates have undoubtedly according to this record.

Hon. Mr. EULER: As 82 would compare with 100?

Mr. GREENWAY: Yes. There are other measurements that will show slightly different results. You can compare figures that represent average weekly earnings. These figures take account of variations in the length of the work week and other factors such as overtime. I do not have that material at hand.

Hon. Mr. EULER: I was curious yesterday to find out something about the list on which you base your index. How many items have you in the list roughly?

Mr. GREENWAY: The count is roughly 150. As a matter of fact, Mr. Rowebottom has brought along this morning an outline statement of the method of constructing the index.

Hon. Mr. EULER: Is that static or do you occasionally drop some items and put some others in?

Mr. GREENWAY: We do make occasional changes such as the introduction of nylon hose for ladies and similar major changes in commodity composition.

Hon. Mr. EULER: Does your list correspond pretty well with that of the United States?

Mr. GREENWAY: Yes.

Hon. Mr. EULER: But you do find it necessary sometimes to perhaps delete some items and insert others?

Mr. GREENWAY: Yes.

Hon. Mr. HAIG: As I understand it there are a number of management-labour agreements in Canada to the effect that wages are based on the cost of living. I am putting that mildly. Now, if you change the basis of computing the cost of living you will upset that whole comparison between wages and the cost of living, will you not?

Mr. GREENWAY: These agreements ordinarily assign a certain money value to a point change in the index.

Hon. Mr. HAIG: I know that, but you suggest that you are working on a new plan. Now, the new plan may not be on the same basis as the old one.

Mr. GREENWAY: There is no escape from this problem, senator. We have to change our plan occasionally—

Hon. Mr. HAIG: I understand that.

Mr. GREENWAY: —as the consumption pattern changes.

Hon. Mr. HAIG: Yes, but I thought you said that you were working on a new basis to get at the cost of living. I would think that if you changed your basis you would upset the whole arrangement as between wages and the cost of living.

Mr. ROWEBOTTOM: If I may comment on that, senator: This merely constitutes a revision or will constitute a revision in the cost of living index as it is now calculated. There probably will be some discussion when this revised index becomes available, but the revised index will be exactly the same thing as the present index does. If labour and management are in agreement that an escalator clause is desirable, we do not expect too much difficulty as to their switching from one index to another.

Hon. Mr. EULER: Have you any idea at all as to what the changes might be? Can you tell us why you might have to make these changes? I grant you that it is probably advisable to make these changes but can you tell us what compels you to make such changes?

Mr. ROWEBOTTOM: It is merely a procedure whereby we attempt to keep the index up to date. It has been standard international procedure.

Hon. Mr. EULER: There is a difference in principle, is there?

Mr. ROWEBOTTOM: No.

Hon. Mr. EULER: Oh, the principle stays the same.

Hon. Mr. HAIG: That is all right then.

Hon. Mr. HUGESSEN: If you make a revised index what you basically have to do is to go back to an investigation of the proportions that the average family across the nation spends on these various items. Is that what you are doing now?

Mr. ROWEBOTTOM: Exactly.

Hon. Mr. HUGESSEN: You are trying to find out whether these proportions which you gave us earlier have changed, and I suppose you are doing this by conducting investigations among the average families in the country. When you have done that you will construct your revised index, taking into account the changes and the 1935-1939 base figure. Is that it?

Mr. GREENWAY: Yes.

Hon. Mr. HUGESSEN: How far have you gone? Have you started investigating yet?

Mr. GREENWAY: Yes. As we have indicated, we have the results of the survey, which has produced a set of family expenditure records in much the same way as we got it in establishing the current index.

Hon. Mr. HUGESSEN: You have finished that and now you are digesting the results?

Mr. GREENWAY: Yes, sir.

Hon. Mr. HAIG: Were you in the department in 1937-38 when the other investigation was made?

Mr. GREENWAY: Yes, sir.

Hon. Mr. HAIG: If you do as well this time as you did then, you will do a good job. I know that the investigation with regard to Winnipeg was done extremely well.

Hon. Mr. GOLDING: Mr. Chairman, I want to ask Mr. Greenway about a point that was raised yesterday by Senator Beaubien, who is not here today. Senator Beaubien's point was that he did not think the period 1935-39 was a fair period to take in establishing the base of one hundred, because of the fact that in that period food prices were extremely low. He was of the opinion that it would have been fairer to take 1926 as a base. I would like to know what Mr. Greenway has to say about that.

Mr. GREENWAY: The period 1935-39 was chosen as a period which would be as reasonable as possible a base for use in constructing various types of index numbers. It is a matter of some concern to be able to compare the cost of living index, for example, with a wage rate index, or an index of production, and so on, and with indexes in other countries, such as the United States, which had the same base period for its cost of living series. There is no ideal base period for all purposes. With the knowledge that you have at the time you make a selection of a period. As time goes on, just what this period is becomes of less and less concern. In dealing with wages, for example, at the present time nobody cares particularly what the base period is. More generally, people will be interested in what the level of the index was just before the outbreak of hostilities in Korea. Soon after the construction of the present index, August 1939 became the focal point. Too much importance should not be attached, we feel, to the actual time selected as a base. We turn these figures out so that you can make percentage comparisons simply by dividing the index, we will say, for December 1949 or 1950 into the current index, and in that way you can find out the percentage relationship to price levels. Or if it is a question of points in relation to money values assigned for wage adjustment purposes, you concern yourself with the exact number of index points that is involved in the change between two periods of time.

Hon. Mr. GOLDING: But you do admit that prices of almost everything were unusually low in that period 1935-39? They were not as low as in the period 1930-35, but they were unusually low. When you use 1935-39 as a base period you are using a period when the prices of food, clothing and everything else were unusually low.

Mr. GREENWAY: When the decision was made, sir, this period did not look to be one of particularly low prices. We had just come out of the depression and price levels for farm products as well as other commodity prices were very much above those of the depression depths.

Hon. Mr. GOLDING: How did the level of prices in 1926 compare with the level in the period 1935-39?

Mr. GREENWAY: Prices in 1926 were of course substantially higher than in 1935-39, but the 1926 pattern of family living expenditures was out of date and we deliberately moved forward from that time to take care of that problem.

Hon. Mr. GOLDING: Do you agree now that wages have actually increased more than the cost of living?

Mr. GREENWAY: Since 1935-39, yes.

Hon. Mr. GERSHAW: Mr. Greenway, one family will cook porridge for breakfast and another will use a prepared cereal that is purchased in cartons; one family will bake its pastry, and another family will buy it. There is such a difference between the way in which families live that I wonder how you estimate the cost of living.

Mr. GREENWAY: We base our budget on the collective experience of all families within what we call this target group that I referred to, families with earnings up to \$2,500 and with so many children. We go to these families and question them individually as to how they are actually spending their money, how they live. We cannot construct an index for each one of them; we have to make a figure that is as representative as can be made for the whole group. That is our problem.

Hon. Mr. EULER: In the list of commodities consumed by families I am sure you would include butter, would you not?

Mr. GREENWAY: Yes, sir.

Hon. Mr. EULER: You do not include margarine?

Mr. GREENWAY: Margarine will be considered in the new index.

Hon. Mr. REID: A statement was made in the House of Commons a short time ago that the rising price of butter had changed the cost of living index. I often wonder why it was said that that one item raised the index. We know some of the people are not eating butter.

Hon. Mr. GOLDING: It went up to 82 cents.

Hon. Mr. REID: But how could that bring about the change? I think this committee could do well to spend some time on this question of the index; there is nothing more important in our economy today. Every group in Canada looks to this index.

The CHAIRMAN: I agree that it is very important, but it is unfortunate that we cannot devote more time to it at this stage of our inquiry. I should like to ask a question.

Hon. Mr. HAIG: Before you do I should like to follow up what Senator Gershaw asked. His question indicated to me that he does not know about the original canvass that was made in 1937-38. The young lady who made the canvass in the city of Winnipeg was Miss Christine Fisher, B.Sc., of the University of Manitoba; she was a girl friend of my daughter's, and was at the house many times. She went out from house to house for a period of nearly five

months. When she got into a house she inquired as to whether the housewife bought her pies or made them, whether she made porridge from rolled oats or bought it in a carton, and from all those interviews she prepared reports. That is the way it was done in my city; I don't know what happened elsewhere.

Mr. GREENWAY: Exactly the same everywhere.

Hon. Mr. REID: I should like to get an answer to that question about the butter and why it increased the index. The statement was given out by a cabinet minister and received wide publicity.

Mr. ROWEBOTTOM: There was a large increase in the price of butter.

Hon. Mr. REID: But there are many people who use a spread instead of butter. Old age pensioners and wage earners look at this index, and immediately it goes up they ask for more pension and better remuneration. There is nothing more important in the life of the people today than the cost of living index; all eyes are on it. I would like to know the answer to this statement about the butter, because I simply did not believe it. I do not think the index went up just because of one item. How can it be determined unless you know the proportion of the people who eat butter?

Mr. GREENWAY: I might say that presumably the price of butter went up, because butter was scarce; people did not stop eating butter, and it was treated as an important item during that period of time just as it was at the time the survey was taken.

Hon. Mr. REID: But the consumption of butter went down and margarine went up. It is a well known fact that when margarine came in the butter consumption dropped. Even some farmers eat margarine.

Hon. Mr. EULER: Lots of them.

Hon. Mr. REID: I should like that question cleared up, as to how one item could raise the cost of living index.

Mr. ROWEBOTTOM: Margarine at the moment is not in the index. We must of necessity from time to time make decisions as to whether or not the basket of commodities contained in the index should be changed. An example of a change that has been made fairly recently, referred to by Mr. Greenway, was the inclusion of nylon hose in the index, in place of rayon hose which were purchased before nylons became available. That change was so sharp that we felt we had no alternative but to make it. In the case of margarine the relative importance of butter and margarine has not, up until very recently, become stabilized, and we felt that we could not make a decision on the relative importance of those two items. Thus, up to the present time we have in effect measured the price of both butter and margarine by the price of butter.

Hon. Mr. HOWDEN: What do you mean by relative importance?

Mr. ROWEBOTTOM: The relative consumption, the relative importance to the families. In addition to the fact that the situation was flexible and fluid, we were anticipating this revision, and we concluded that it would be better to wait until we had more specific information before introducing margarine into the index.

Hon. Mr. REID: Regardless of the fact that margarine has been used for much more than a year.

Mr. ROWEBOTTOM: It has been used for some time.

Hon. Mr. HORNER: You will find that it makes no difference, because it takes a pound and a half of margarine to go as far as a pound of butter.

The CHAIRMAN: Order!

Mr. ROWEBOTTOM: I would like to make this point in regard to the effect of the inclusion or exclusion of margarine from the index. The inclusion of margarine would have the effect only in so far as the price movement in margarine has been different from the price movement of butter.

Hon. Mr. REID: Is the statement correct, that the price of butter influenced the index all over Canada, when in some provinces hardly any butter is consumed?

Mr. ROWEBOTTOM: Butter is sold in all provinces. The statement is correct that the price movement of butter did increase the index.

Hon. Mr. HUGESSEN: Your point is that if the price movement on margarine had gone up in the same way, it would have made no difference?

Mr. ROWEBOTTOM: It would have made no difference, that is quite true.

Hon. Mr. FARQUHAR: Did I understand you to say that wages had caused a greater increase in the cost of living than had either consumer goods or rent?

Mr. GREENWAY: Since 1935-39?

Hon. Mr. FARQUHAR: Going back ten or fifteen years.

Mr. GREENWAY: No.

Mr. ROWEBOTTOM: Was your question, had it increased the cost of living?

Hon. Mr. FARQUHAR: I wanted to know if wages had increased the cost of living more than had consumer goods or rents, and about what percentage.

Mr. GREENWAY: I mentioned the figure for wage rates of 100 per cent, approximately.

Hon. Mr. EULER: And the cost of living at 82 per cent, with a difference of 18 per cent.

Mr. GREENWAY: Yes, sir.

Hon. Mr. ISNOR: Mr. Chairman, my question is of a rather broader nature, and perhaps I could explain my position. I am going to make reference to the 18 point difference in the increase in labour or wages as compared to the general cost of living index. I think our standard of living has a direct connection with our cost of living index. My question is: Do you in any of your tables or records relate your cost of living index to the earning power of say 1935 as compared with 1950? Is that question clear?

Mr. GREENWAY: I think so, sir.

Hon. Mr. ISNOR: Before you answer may I say this, Mr. Chairman, that everybody looks at the cost of living index. They refer to Canada as having increased 80 points since 1935-39. They do not take into consideration the all-over picture of our earning power in relation to that. That is why I am asking that question.

Mr. GREENWAY: I would like to refer again to what I said earlier, namely that there are several measures of what we may consider broadly as earning power. Wage rates would be only one of those items. I mentioned average weekly earnings as being another. Now, the increase in average weekly earnings will not be as great as the increase in wage rates, because the average hours of work are somewhat lower now than they were in 1939. Another series of interest is a constituent of the figures that Mr. Goldberg, I believe, was discussing yesterday: the aggregate of wages and salaries. In aggregate the amount of wages and salaries has gone up very much more than the rise in wage rates. That is, in aggregate. All of these factors have to be taken into consideration in any analysis of the impact of living costs upon the worker.

Hon. Mr. ISNOR: You do not answer my question yet.

Mr. GREENWAY: I am sorry, sir. You want to know, then, if we ourselves come up with a single figure showing this. We do not publish such a figure, Senator Isnor.

Hon. Mr. ISNOR: Then I contend that we have not got the true picture of the relation between the two. We might be in a very happy position and be able to say to the world, "Why, look at Canada; look at the fine standard of living which we enjoy in this country as compared with other countries". The figure of 180 does not reflect a true picture of our living conditions. That is what I want to emphasize.

Hon. Mr. HAIG: Of course it doesn't, but it shows the difference in the costs from 1935-39 and what it is now—the cost of the individual earnings, which they take.

Hon. Mr. ISNOR: I accept that as Number 1 table.

Hon. Mr. HAIG: That is all you can take.

Hon. Mr. ISNOR: And then I ask the simple question, if you have a similar table relating your cost of living index to the earning power for those two periods.

Mr. GREENWAY: The problem, sir, is that from time to time different reference periods are—

Hon. Mr. ISNOR: I take the same period.

Mr. GREENWAY: —of interest. In your case you might want a comparison based, we will say, on the 1935-39 average. Other people would be interested in similar figures on as limited a time period as, say, 1949 to 1951. There are many many different reference points in time that have particular interest to different individuals and different groups, and those individuals or groups can make calculations fairly readily by taking the various series that are available and comparing the two. Mr. Rowebottom has just reminded me that the Dominion Department of Labour does from time to time issue a comparison which it makes, if I am not mistaken, in this way: It takes the cost of living index and the wage rate index and it divides the cost of living figure into the corresponding wage rate figure.

The CHAIRMAN: This is a very important point that Senator Isnor has raised. But I doubt if we can get complete data from Mr. Greenway. He gives us the increase in the cost of living index. He makes the rather general observation that the period from 1935-39 as compared with the present, wages had increased about 100 per cent while the cost of living index has gone up 80 per cent. Now we have to be careful in these assumptions, it seems to me, without definite data. There is an interesting thing: If you look at the information Mr. Goldberg gave us yesterday, he gives the increase in salaries, wages and supplementary labour income—

Hon. Mr. HUGESSEN: What page is that?

The CHAIRMAN: That is on page 1 of the statement that he had yesterday. Salaries, Wages and Supplementary Income were \$7,139 million in 1948. In 1950 they are given as \$8,300 million. That includes, it must be said, the data for Newfoundland, which was not included in the 1948 figure. Now, taking those two figures, an increase from \$7,139 million to \$8,300 million from 1948 to 1950 we find that the cost of living index increased in that period from 155 to 166.5. That would indicate that at any rate salaries, wages and supplementary income during those two years were fully keeping pace with the increase in the cost of living.

Hon. Mr. ISNOR: That is a good point, and that is something like I was trying to get at. The only point I would stress is that Mr. Greenway's answer, with all due respect to you, is no doubt "No, we have no such table

in so far as our Bureau is concerned." Still, my observation is that I believe, to have a true picture, you have to have such a table as I have suggested.

Hon. Mr. HAIG: Should not the Labour Department give us that?

The CHAIRMAN: I think so.

Hon. Mr. ISNOR: They might. But we look to the Bureau for figures of that kind.

The CHAIRMAN: That particular bit of information, Senator Isnor, I think is outside the boundaries of Mr. Greenway's responsibility.

Hon. Mr. REID: In going around to different groups—say, going to farmers to find out how they are spending their dollars—do you change the groups that you are contacting? For instance, how many houses do you contact? Is it every tenth house in a group? If an investigator goes into a certain district one month will he go into another district three months later? How is this all tied up?

Mr. GREENWAY: These inquiries which produce figures on family expenditures are made only at lengthy intervals. The last one was in 1937-38 and that is the one that the present index is made from.

Hon. Mr. REID: How can you tell that the average family is spending 31 cents on food and 19 cents on rent today if you have not asked these families about these things since 1937-38? That is a long time back so your information cannot be up to date. I thought they were asking the families every few months about these things.

Mr. GREENWAY: Only in the case of rents, sir.

Hon. Mr. REID: What about food? The food picture has been changed. People with more money may be buying more food, and that would change your index.

Mr. GREENWAY: As I mentioned to begin with we are concerned not with changing the quantities or standard of living but simply in finding out the ups and downs in the price level.

Hon. Mr. HAIG: Sure.

Hon. Mr. REID: I cannot get it clearly through my head how you can take 31 cents for food out of a dollar. Food is one of the most important items, and how can you determine that a family spends 31 cents on food out of each dollar?

Mr. GREENWAY: It is not the quantity; it is the increase or decrease in price which the index measures.

The CHAIRMAN: I think we shall have to conclude this part of our inquiry this morning because we have the representatives of the C.B.C. with us and their time is limited.

Hon. Mr. HORNER: With reference to the cost of living is there a noticeable depreciation in the per capita consumption of what we consider to be basic food such as beef?

The CHAIRMAN: Have you any comment to make on that, Mr. Greenway?

Mr. GREENWAY: No, sir.

Hon. Mr. ISNOR: Would you give us the cost of living index for 1948?

The CHAIRMAN: I shall remind the committee that several meetings ago honourable senators wanted representatives of the C.B.C. to be brought here. We cannot have them back after today probably, and we can easily run out of time if we do not bring this discussion to a close.

Mr. GREENWAY: Sir, the 1948 cost of living index was 155.0.

Hon. Mr. REID: Do I take it from the witness that 31 cents for food and 19 cents for rent is what the Bureau believes an average family spends out of a dollar, or is that based on information obtained from families?

Mr. ROWEBOTTOM: That information was supplied to us by the families themselves.

Hon. Mr. REID: And you have not asked them any questions since 1937?

Mr. ROWEBOTTOM: The last survey was completed in 1948-49 and on the basis of the information obtained at that time we hope to revise these figures of 31 cents and 19 cents.

Hon. Mr. REID: We want to get this clear because it is very important.

Mr. ROWEBOTTOM: They have not been revised because the essential purpose of the index is to measure the changing cost, if you like, of purchasing a base period basket of goods. Now, if we keep on changing that base basket then our purpose becomes very fuzzy.

Hon. Mr. BARBOUR: One of our great difficulties is that this basic period from 1935-39 to 1951 is entirely different from the other periods of 1913-26 and 1926-35, because in both those periods we had depressions. In this one we have gone from boom to boom and we have had no depression at all. That is why we see such a great difference between 1935-39 and the present time.

The CHAIRMAN: It is interesting to speculate on what might happen if tomorrow it were announced that all this tension in the world had ceased and the danger of war was over and we could go back to normal pursuits. It would be interesting to speculate what would happen to our economy in the next two or three years. There would probably be another depression.

Hon. Mr. HAIG: I suggest we adjourn this part of the meeting.

The CHAIRMAN: Very good. We thank Mr. Greenway and Mr. Rowebottom for coming here this morning. This is a matter which perhaps at some future time could be inquired into a little bit further.

Hon. Mr. ASELTINE: It has been very interesting.

Mr. GREENWAY: I should like to make one final comment. We have been discussing weights and I indicated that weights are one of the fundamental things in making a price index. I should just like to say that the accuracy of our price information, we know from experience, to be more fundamental than changes in weights. That is not to say that weights are not important, but the accuracy of prices will have much more bearing on the movement of the index than minor or even fairly big changes in weights.

The CHAIRMAN: This statement which is being circulated amongst you is an explanatory statement incorporating all revisions made to January 2, 1951.

Hon. Mr. REID: It is too bad we did not have it before the witnesses came this morning.

The CHAIRMAN: We are just a bit out of luck on that, for we did not have it until a few moments ago.

Now we will allow these gentlemen to go and we will give Mr. Dunton and his colleagues an opportunity to tell us about the Canadian Broadcasting Corporation.

Hon. Mr. HAIG: Now we go to town.

The CHAIRMAN: We will now hear from Mr. A. D. Dunton, Chairman of the Board of Governors of the Canadian Broadcasting Corporation. I am looking forward to an interesting time. I suggest we might allow Mr. Dunton to make an opening statement and then we can pelt him with questions.

Hon. Mr. HAIG: Mr. Chairman, I do not intend to sit here while an official makes a long statement and we are left with about five minutes to ask questions before we are shut off. We have a lot of questions to ask about the Canadian Broadcasting Corporation and I think we should be allowed to ask them now.

The CHAIRMAN: Perhaps we can decide the matter by a show of hands. I will first ask those who think we should proceed at once with questions to put up their hands. The number is seven. Now, those who are against that. The number is five. I gather that we must proceed to questions at once. Now, Senator Haig, you have the floor.

Hon. Mr. HAIG: I have here a record of a broadcast made, I presume with the approval of the Canadian Broadcasting Corporation, on November 26, 1950. Do you approve in advance of the broadcasts over all stations?

Mr. A. D. DUNTON, Chairman of the Board of Governors, Canadian Broadcasting Corporation: Was that broadcast made over a C.B.C. station, sir?

Hon. Mr. HAIG: It is headed "CKNX".

Hon. Mr. GOLDING: But it was made from here by Radio Bureau.

Mr. DUNTON: I might say, senator, that we do not approve in advance or approve in any way broadcasts from private stations. The corporation has power to make general regulations, published regulations, regarding broadcasting on all stations, but we do not check any broadcasts in advance.

Hon. Mr. HAIG: What do you do when a broadcast like this is brought to your attention?

Mr. DUNTON: If it is brought to our attention and complaint is made we look it up to see if there has been a violation of a regulation.

The CHAIRMAN: What is the regulation?

Mr. DUNTON: We have a series of published booklets containing our regulations. Under our Act we have to publish our regulations, so that they will be known to broadcasting stations and to the public and people can know if any regulation is being violated.

Hon. Mr. HAIG: I want to know if the station that broadcast this violated your regulations.

Mr. DUNTON: I do not know what the broadcast is, sir. I have not heard of it before.

Hon. Mr. HAIG: Oh, yes, you have. Let me read some of it. It is headed "Report from Parliament Hill," and it begins in this way:

When it comes to the Canadian Senate, one could paraphrase the famous saying about the weather—"Everyone talks about the Senate, but no one can ever do anything about it."

They've been talking about the Senate now ever since Confederation. A short time after a United Canada came into being, a leading newspaper *The Week*, commented on the Senate in this manner:

The Senate of Sir John Macdonald is nothing but a political infirmity and a bribery fund, nor is it possible to conceive any case in which a body so destitute of moral weight could render any real service to the nation.

That is very nice, is it not? However, we were not in the Senate of those days, so the attack is not on us. The broadcast continues:

However, Goldwin Smith put the government's point of view in these words:—

"For every vacancy there is a claimant who has done something, or expended something for the party, and whose claim cannot be set aside.

"The minister," he continued, "may feel as strongly as his critics how much the Senate would be strengthened, and his own reputation enhanced, by the introduction of some of the merit, ability and experience which do not take the stump. But party demands its pound of flesh," he concluded. When the Macdonald government was in power, the motto of the Liberals was "Reform the Senate!" But once the Liberals were in power, Senate appointments by party continued. The only difference was—it was a different party.

I need not read it all. On the next page of the report there is this:

Today, most of us think of the Senate in terms of modern description that it "does nothing in particular, and does it very well." It has even been suggested that the words "Rest in Peace" should be inscribed over the entrance to the Senate Chamber. Actually, however, the Senate is still capable of "preventing other people from doing a great many things." While the government and the majority in the Senate are of the same political temperament, the Senate is content to drowse, concern itself with divorce bills, and occasionally make speeches about reforming the House of Commons. When a government of a different complexion is in power, however, things can be much different.

A Liberal Senate, for example, prevented the Conservative Borden government from achieving passage of a naval bill, even though it was passed by the house under the ominous shadow of German aggression. Not many people realize that the Canadian Senate has a thousand times more power than the British House of Lords—that this body, which is not responsible to the people and which is appointed for life, can virtually stop all legislation passed by the elected members of the people.

The Senate today has the power to hold up not only ordinary legislation but also constitutional amendments. It can veto amendments which do not require a British Act; and—by custom—those which do require a British Act are now always preceded by a joint address from the Senate and the Commons.

Some comparison is then made between the Senate and the House of Lords, and a little further along we find this:

In Great Britain, if the House of Lords becomes obstinate, the government can "swamp" it. That is, the government can appoint enough new Lords to outvote the opposition. But the same is not true in Canada. Section 26 of the British North America Act gives our government power to appoint only four or eight extra Senators (over and above the normal 102).

Four or eight extra senators at the present time wouldn't do much good. Just imagine that a Progressive Conservative government has come to power at Ottawa, and the Senate is throwing out every bill passed by the government. In other words, the Liberal Senate completely refuses to play ball with a Conservative government.

To counteract this, the Prime Minister would be able to appoint a maximum of eight new senators. At present, there are eleven Progressive Conservative senators. The rest are all Liberals. If the Liberals stay in power for another three or four years, there might not be a single opposition supporter in the Senate. In a situation like this, how far would appointing eight new senators go? And the worst of it is, senators are appointed for life—and they are notoriously long-livers on their old age pension of six thousand dollars a year.

Canvass any one of the fourteen million Canadians that the census taker will be talking to next year, and he will probably tell you that reform of the Senate would be a good idea. Canvass any of the M.P.'s

on Parliament Hill, and they will tell you the same thing. However, it just seems to be one of the jobs that is never done—and in the meantime it's costing Canadians several million dollars a session. Besides that, there is the clerical staff at the Senate, the Senate *Hansard* reporters, and all the rest of the general upkeep.

In fact, if Mr. Abbott wants a nice quick way to realize a saving of several million dollars a year, he could abolish the Senate. It would probably bring complaints from only 96 of Canada's fourteen million people. Those ninety-six, of course, would be the Senators, who are—according to Senator John T. Haig—"the highest class of pensioners in Canada". There is only one weakness to this plan, however. The Senate probably wouldn't pass the bill—and the Senate's consent is needed to make it law!

Besides there is little likelihood of the government trying to save money in this attractive way. Since the Senate is always packed with retired House of Commons supporters of the government of the day, the party which happens to be in power always feels that reform is a good thing, but that it isn't a good idea to rush into it. And opposition M.P.'s—who have as much chance of receiving a six thousand dollar-a-year-for-life Senate job while they're in opposition as they have of being appointed government whip—are usually all for reform—while they're in opposition. Afterwards, when the Opposition members are devout supporters of the government, the need doesn't seem so urgent.

And yet Ottawa visitors who wander into the Red Chamber when it is supposed to be in session, always come away disgusted. There is absenteeism in the House of Commons, but most of the M.P.'s should get gold stars for attendance compared to the Senators. Twelve Senators in attendance—out of ninety-six—is a crowd.

Suppose the rest of it were all true, a quorum is fifteen. Yet your department or your regulations allowed that statement to be made over the air and to be carried by a great many stations in this country. I will go on, but first may I say that I want you to tell me what you did when this matter was brought to your attention, as is must have been.

The CHAIRMAN: Are you through reading, Senator Haig?

Hon. Mr. HAIG: No, I am just starting.

Hon. Mrs. WILSON: Spare us.

Hon. Mr. HAIG: I will read a few words more.

Why don't more Senators attend to Senate business? Well, in the first place, there's so very little Senate business to do. With the Senate made up of members of the party in power in the House of Commons, it has become completely a rubber stamp for the Commons. Bills are passed automatically—rarely discussed. One indication of the unimportance of the Senate is the scant space it gets in the news reports to the nation. Lots of news about the House of Commons in session—yes, but nary a word of the Senate, unless it's a plan to reform it.

Many of the Senators, of course, are unable to work if there was work for them to do. Men of eighty and ninety; men who are crippled; men who are constantly under a doctor's care, can't be expected to labour over legislation. But there's no reason either, why the country should be paying such men six thousand dollars a year.

There are, of course, able Senators. Stanley McKeen, the successful Vancouver business man is one. The self-made publisher, Rupert Davies, is another. The veteran newspaperman, Charles Bishop is a third. The two women Senators, Iva Fallis and Cairine Wilson are both able persons.

So is hard-headed, business-minded Norman Paterson, and the business tycoon, Alexander Neil McLean. That valiant fighter against oppression, Thomas D. Bouchard is yet another able Senator. It is easy to name them—but it is also tragic that there is so little for them to do. Originally, the Senate was planned as being a protection of provincial rights. Each section of the country is given equal representation in the Red Chamber. The Maritimes have 24 members.

I will not read further, because I might embarrass other members if I do. What I would like to know is what was done to the private stations who carried that broadcast over the air.

The CHAIRMAN: It might be interesting to know who made this broadcast.

Hon. Mr. ASELTINE: I listened to the whole speech.

The CHAIRMAN: Have you got the party's name?

Hon. Mr. GOLDING: Yes. It was Mrs. Frances Baldwin, 6 Percy Street, Ottawa.

Hon. Mr. EULER: Who is she?

Hon. Mr. HAIG: She was the woman appointed the other day.

The CHAIRMAN: Order!

Hon. Mr. GOLDING: To follow up what Senator Haig has said, I was sitting in the house on Sunday afternoon, November 26th last and heard just the tail end of this broadcast which gave no announcement as to who the speaker was. It came over Station CKNX from Wingham. I wrote the Wingham station and asked for information as to who the speaker was, and I was told that this was prepared and delivered from the Radio Bureau here in Ottawa, and it was suggested that I write to the bureau and get that information. I did that and in return received a letter informing me that it was Mrs. Baldwin. I wrote to her and pointed out some of the inaccuracies in the statements made in the address to which Senator Haig has referred. One of them was the cost of several million dollars a year, another was that twelve senators in attendance of ninety-six was a crowd. Incidentally, the Senate has twice refused to pass the Address, once in 1914 and again in 1936. I obtained all this information from the Clerk of the House. The statement of the cost is definitely not true, and I think everybody knows that.

Hon. Mr. ASELTINE: What is the average cost over the past fifty years?

The CHAIRMAN: As Senator Haig wishes to ask a question, I don't want to interrupt him.

Hon. Mr. HAIG: This conversation has to do with my question. We do not want to take any advantage of the gentlemen here, and we want them to know what was said.

The CHAIRMAN: All right.

Hon. Mr. GOLDING: The accountant here gave me a statement showing that the average cost over the past five years, in one of which there were two sessions of parliament, was \$893,124; the average over the past ten years was \$737,850; and the average over the past thirty years was \$608,745. That is a long ways from several million dollars a year. As to the other statement that twelve senators in attendance out of ninety-six is a crowd, I cannot imagine how anybody with any sense of responsibility at all would make a statement like that over the air. Surely it is known that a record of attendance is kept in the Senate, and that information would be available to anyone who wishes to write an article on the subject. It appears to me that this lady—and there are some other writers like her—has adopted the technique that the more sarcasm one gets into an article the more effective it is. Personally, I do not think the public agree

with that. I think anybody has the right to discuss the Senate, the House of Commons, municipal government or anything else. We must expect criticism of all kinds. But no good purpose is ever served by making statements which are not true. I do not know who is responsible for curbing a thing like that over the radio, but I think that somebody should have the responsibility of checking on matters of that kind. They do no good. There was one time in 1939 when "Canadian Business", a monthly magazine got out by the Chamber of Commerce, had a story that the Senate was costing \$5,000,000 a year. Well, I wrote to that magazine and I said, "I don't know what purpose is ever going to be served by telling a story like that, when this information is available for you"; and they had the courtesy to write back and tell me that they were in error, and they tried to make it appear that it was a typographical error. But they did publish my letter in the magazine to try and make what correction they could.

I had some correspondence with Mr. Allard, who, I suppose, is the man who made the talk, and in the last paragraph of his letter of January 10, 1951, he said this: "Again, my sincere thanks for your very kind interest. We shall do whatever we possibly can to rectify the inaccuracies of our original statements, and meantime let me thank you for your very kind wishes and reciprocate these most warmly." He indicated in that letter that they would try to correct the statements, which were false, and could serve no good purpose whatsoever. But I don't know what has been done or what effort he has made to correct the statements at all.

I do not object at all to criticism. I think everybody who serves the public must expect that. But I do not want to have people resort to lies in their criticisms. That is the objection I take. I was under the impression that the Canadian Broadcasting Corporation had control over what went over these private stations. I think our friend Senator Haig had the same idea. That is the reason why I am bringing this matter to your attention this morning. I don't know, but I think it is pretty disgraceful to use the facilities of the radio, by which you get in touch with thousands of people, to tell stuff like that, in which there is no truth. How can you ever rectify it? How can you ever get together that same crowd that you have talked to? There is no chance at all. He admits that in his letter: It is not possible. So that is one good reason why they should exercise a good deal more care before they make a broadcast of that sort.

Hon. Mr. HAIG: What control have you over this?

Mr. DUNTON: We have no control over a thing like that.

Hon. Mr. HAIG: None at all?

Mr. DUNTON: We have the power and responsibility of making regulations, of which we have made a series. Those regulations do not include any check on accuracy of statements or on opinions expressed. That would amount to censorship.

Hon. Mr. EULER: Could you make such regulations?

Mr. DUNTON: Yes. We have a book of our regulations here.

Hon. Mr. EULER: I say, could you make regulations which would enable you to control a thing of this sort?

Mr. DUNTON: I suppose we could. Under the act we are given fairly wide powers to control the character of programs, to see that political time is fairly distributed. I would think we would have such powers. But I would question very much the wisdom of doing so, because that would amount to censorship by the Corporation of matters of fact and of opinion.

Hon. Mr. EULER: Would you regard it as at all practicable to have these scripts, I believe you call them, submitted to you before they are put on the air?

Mr. DUNTON: It is a responsibility which I think the Corporation would not wish to have.

Hon. Mr. HAIG: Do you not do that now in political broadcasts?

Mr. DUNTON: No.

Hon. Mr. HAIG: In an election, if I want to speak over the radio, I have to deliver my script to you before I can make the broadcast.

Mr. DUNTON: No, sir. Not to the C.B.C. There is nothing we do that compels a station to ask you to file your script in advance. That is on their own responsibility. That is up to the station. We only hold the station responsible for following the regulations.

Hon. Mr. HAIG: If I want to make an election broadcast over C.B.C. I have to submit my address.

Mr. DUNTON: No political party can buy time on the C.B.C. facilities: We provide free time to the different political parties.

Hon. Mr. HAIG: If I want to make a broadcast I cannot do it without giving a copy of what I deliver first.

Mr. DUNTON: On a C.B.C. station, in the first place, you cannot hire time. We may give it to you under our plan of providing time for the different political parties. Then it is up to the local manager. There is no rule about it. The local manager must see that no rules are violated. He may wish to look at your script first, not to check on any opinions or facts, but to make sure that nothing has gone wrong with regard to the regulations.

Hon. Mr. HAIG: Are you sure of that?

Mr. DUNTON: Yes.

Hon. Mr. HAIG: Is that what Winnipeg does?

Mr. DUNTON: I do not know, sir, what they do.

Hon. Mr. HAIG: I can tell you what they do. They make you deliver it twenty-four hours before it is delivered, to the C.B.C., and if they don't like something in it, you have got to strike that out.

Mr. DUNTON: Is that opinion?

Hon. Mr. HAIG: These are given as statements of fact. You would have to strike out supposed inaccuracies.

Mr. DUNTON: I would like to get particulars of that, because our people have definite instructions not to question statements of fact or opinion.

Hon. Mr. HAIG: They ask for the script twenty-four hours in advance.

Mr. DUNTON: That is a matter of local responsibility, for our managers to see that the regulations are followed, but many managers do not ask for the script in advance. Can you tell me if that was done?

Hon. Mr. HAIG: Yes.

Hon. Mr. HOWDEN: We all have to submit our scripts of what we are going to say, in advance.

Mr. DUNTON: Can you tell me the date?

Hon. Mr. HAIG: It has been going on for some years.

Mr. DUNTON: You are not referring to conditions in war-time, when war regulations applied?

Hon. Mr. HAIG: I was running from 1920 to 1935.

Mr. DUNTON: Well, the Corporation only came in existence in 1936.

Hon. Mr. HAIG: I know what has been going on, because I have been giving speeches for other people.

Mr. DUNTON: If you will give me some dates I would like to investigate if any employee of the Corporation has tried to change any facts or statements of opinion, because they have specific instructions about that.

Hon. Mr. HAIG: They just tell you "That statement should not be made".

Mr. DUNTON: They should not.

Hon. Mr. HAIG: I can't tell what you have in your head, but I know what goes on.

Hon. Mr. EULER: It seems evident from what Mr. Dunton has said that the body of which he is Chairman has no control whatsoever over the kind of thing that has been read by Senator Haig. Is that right?

Mr. DUNTON: That is right.

Hon. Mr. EULER: Then the question arises whether it should take those powers, whether it would be advisable to do so. Have you considered that?

Mr. DUNTON: Yes. The Corporation has always thought that it should avoid anything in the nature of censorship of opinions or facts.

Hon. Mr. GOLDING: I for one would oppose very definitely restricting anyone from expressing his opinions on any subject, either in the press or on the radio. But at the same time I would definitely oppose the right of anyone to say things in the press or over the radio that are not true.

Hon. Mr. EULER: You might have recourse in the courts against that sort of thing, if it is libelous or slanderous.

Hon. Mr. GOLDING: While we are on this subject I am going to deal with this other point. It says here that the Senate has twice refused to pass the Address, once in 1914 and once in 1936.

Hon. Mr. HAIG: That is not true.

Hon. Mr. GOLDING: Now, I was here in 1936 and when I read that I could not recall the Senate having refused to pass the Address, so I went to our Clerk and I got the following information:

On June 11, 1914, a message was brought to the Senate from the House of Commons asking the Senate to concur in an Address to His Majesty praying that he give his consent to submitting a measure to the parliament of the United Kingdom to amend certain provisions of the British North America Act, 1867. The proposed amendments related primarily to the proposition of increasing the number of senators. The proposed message and Address were considered in Committee of the Whole, and action thereon was adjourned until the following day.

On June 12, 1914, the Senate passed the Address with an amendment to which they desired the concurrence of the House of Commons.

The House of Commons refused to concur in the Senate's proposed amendment, but the Senate insisted and as the Governor General was waiting to prorogue parliament the matter was automatically dropped.

That had nothing to do with the passing of the Address as we know it.

Hon. Mr. ASELTIME: The Speech from the Throne.

Hon. Mr. GOLDING: The Speech from the Throne, and that is the conclusion that anyone reading that article or hearing this over the radio would come to, just as I did. The Clerk also supplied me with this information.

On May 19, 1936, a message was received from the House of Commons in which the Senate was asked to concur in an Address to His Majesty praying for the necessary action in the Parliament of the United Kingdom to amend Section 92 of the British North America Act, 1867, in certain respects. On June 10, 1936, Senator Hardy moved an amendment

to the said proposed Address, which amendment was lost on a recorded vote of 15 to 40. The question was then put on the main motion, and the original proposed Address was approved by a recorded vote of 15 to 40.

Hon. Mr. ASELTINE: There must have been more than twelve there that day.

Hon. Mr. GOLDING: Now, these are the only two instances they have any record of and, as I say, they did not deal at all with the Address as the public generally knows it—the Speech from the Throne. I resented this very much.

Mr. DUNTON: I would be very surprised to hear that the private stations organization had not been given an opportunity for the presentation of the other side.

Hon. Mr. ASELTINE: I heard this matter myself. It went over the air from coast to coast under the heading Report from Parliament Hill. Everyone I met on the street thought this was a C.B.C. broadcast.

Mr. DUNTON: We are blamed for a lot of things and quite often for things of which we are not guilty. Sometimes we are guilty.

Hon. Mr. ASELTINE: I investigated the matter partially myself. I wrote to Senator Lambert and it was disclosed that this was not a C.B.C. broadcast.

Hon. Mr. HOWDEN: Is it not time that we should be thinking about some remedy for this matter?

Hon. Mr. HAIG: Yes.

Hon. Mr. BUCHANAN: I did not hear this broadcast myself, but how could a broadcast emanating from a private station be a national broadcast? Senator Aseltine heard this broadcast in Saskatchewan.

Mr. DUNTON: I understand that the Radio Bureau is operated in connection with the Canadian Association of Broadcasters and it makes transcriptions here on wax records of speeches, some made by members of the House of Commons, to be played in their constituencies, and some by commentators such as this one. I gather those are sent to all the stations who support the Radio Bureau. I think most of the members of the Canadian Association of Broadcasters do support the Radio Bureau and so they would each get a disk of this commentary and could play it. That is how it could be heard so widely.

Hon. Mr. HAIG: I think this article is a joke but nevertheless I am offended by it. Before I put a question to you I should like to say that I like the C.B.C. My part of the country needs the C.B.C. very badly and we recognize the importance of it. So anything I say is not to be interpreted as a criticism of the C.B.C. I want that understood. But I want to know what assurance I can get or anybody can get that this kind of thing cannot happen again. Mr. Dunton, you ought to know that.

Mr. DUNTON: Could I make one suggestion? In my opinion—and I think it is the opinion of our board—it would be dangerous to institute a system of censorship because, as I think you will agree, it would mark the end of free speech. In this case I would think that the best method would be to approach the private station organization, and I think they would do something voluntarily. If they did not co-operate then we would insist, under our regulations, that private stations give a fair show to the other side in such matters as this. Nominally we do not deal with the Radio Bureau but we do deal with the licensed stations. I think the Radio Bureau would be reasonable and would co-operate, but if not we would certainly insist that private stations make provision for the presentation of the other side. I wonder if that is not the best way to approach this problem.

Hon. Mr. EULER: Have you control over the licences of these private stations?

Mr. DUNTON: We make recommendations. Each application comes to us from the Department of Transport.

Hon. Mr. EULER: I think it would be very salutary for you to say that if they repeat something like that their licence will be cancelled.

The CHAIRMAN: If I may interject here, there is a rather important point at issue. I do not think anyone desires to do anything that will interfere with free speech.

Hon. Mr. GOLDING: Certainly not.

The CHAIRMAN: Mr. Dunton tells us the regulations are general in character, but those using a radio station are expected to be certain of their facts and to avoid anything of a libelous character. How far the local station in this particular incident was responsible for checking the item of what the Senate costs and some of the other allegations made as facts—

Hon. Mr. GOLDING: Mr. Chairman, that was made right here in Ottawa.

Hon. Mr. McLEAN: Could I make a statement?

The CHAIRMAN: Just a moment. I am trying to state a general principle using this broadcast as an illustration. For instance, take a political broadcast. Some of us believe at times that these broadcasts contain statements that are not in accordance with the facts. Are we going to put the obligation on someone to say that such a broadcast cannot be made? If we do, where shall we reach the limit of our interference?

Hon. Mr. HAIG: Mr. Chairman, I am in favour of private stations, if they want to operate, but I have always understood—apparently I was wrong—that the C.B.C. has a very great degree of control over private stations. If private stations are going to be allowed to distribute the kind of nonsense that I have drawn attention to this morning, where is the thing going to end? They might make a similar attack against a political party—it might be the C.C.F. today, the Social Credit party tomorrow, the Progressive Conservative party next day, and so on. I think Mr. Dunton should bring this matter before the Board of Governors of the C.B.C. and have the private stations notified that if any more of this kind of thing is broadcast there will be a report made to the government and a request for appropriate action. And I am persuaded that public opinion would back action against this kind of thing. I suggest that Mr. Dunton notify the private stations that this is not in accordance with the best ethics of broadcasting. We are not out to kill the private stations. Certainly I am not, and I am sure Senator Golding is not.

Hon. Mr. GOLDING: No.

Hon. Mr. HAIG: Neither are we out to kill the C.B.C. I am frank to say that my part of the country needs the C.B.C., because we cannot hear other stations out there. But we do not want this kind of stuff put out over stations, and I am asking Mr. Dunton to take whatever action he thinks advisable. I do not think anything should be done to stop public discussion, but honestly it seems to me there must be some complete absence of responsibility on the part of private stations when they allow nonsense like this to be broadcast all over Canada.

Hon. Mr. McLEAN: Mr. Chairman, I think that radio stations are subject to the law of libel just as newspapers are. The Canadian Association of Broadcasters, which has its headquarters in Toronto, is the responsible body to which all these private stations belong. The association has lots of money. It sends representatives here to Ottawa, to appear at parliamentary committees in opposition to the C.B.C., as we have observed many times. I think that the broadcast which has been referred to here this morning should be brought to the attention of that association in a legal way. The broadcast was of course ridiculous, and it seems to me that anyone who listened to it would know that it was being made by someone who had no regard for accuracy.

Hon. Mr. HOWDEN: Mr. Chairman, the C.B.C. is a public body, incorporated for serving the people of Canada. I should think that one of its prime functions would be the taking of means to prevent the slandering and libelling of Canadian people and institutions over the radio. It seems to me that the C.B.C. should evolve some process to prevent a recurrence of a broadcast such as we have heard described here. It is a libel and slander, and surely we should be protected against that.

Hon. Mr. BUCHANAN: Mr. Dunton, is there any method by which a privately owned station which broadcasts a misrepresentation of someone or something can be compelled to broadcast a correction?

Mr. DUNTON: We have general regulations which provide that if an opinion broadcast is made, there must be an opportunity for the broadcast of opposing opinion. Sometimes the question of whether a certain thing is right or not is a matter of opinion. We do not prevent the broadcasting of such an opinion, but we do insist that the other side have an opportunity to express its opinion.

Hon. Mr. BUCHANAN: As a newspaper publisher I know that often people take exception to editorial opinion and they will write to the editor, pointing out the alleged misrepresentation, and the practice is for the paper to publish the letter of complaint. Can a private radio station be asked to make a broadcast in reply to a broadcast which somebody considers to be inaccurate?

Mr. DUNTON: As I say, sir, if a station broadcasts the opinion of one side on something or other, we insist that the other side be given an opportunity to broadcast its opinion. We believe that that is perhaps the best way of attacking the problem.

Hon. Mr. BUCHANAN: The stations that broadcast this report would have looked ridiculous if they had been compelled to announce over the air that a number of statements in the report were false. It seems to me that if a newspaper can be compelled to make a correction in order to avoid a libel action, a radio station should be subject to the same law.

Hon. Mr. REID: I should like to ask a question as to how the C.B.C. gets its news about the activities of parliament.

Mr. DUNTON: We get our news, including the parliamentary news, from the main news agencies, the Canadian Press and the British United Press.

Hon. Mr. REID: And you never check up as to whether these news items are biased? There are news items which go out about parliament, the Senate and the Commons, which though not untrue, are in many instances biased. If you simply take a newspaper account and report that, you are reporting the bias that appears in the press. I claim you should check up on some of these news items. I do not propose to mention any of the instances on which news of a biased nature has come over C.B.C., but I believe that you should check up on the news that comes to you or have a reporter of your own on the job.

Hon. Mr. HAIG: I suggest, Mr. Chairman, that we adjourn this hearing until the Senate rises this afternoon.

Hon. Mr. REID: We have only scratched the surface this morning. We have heard one item only, and I have fifty questions to ask. Let us consider this one item finished when we come back.

Hon. Mr. GOLDING: Just before we adjourn, Mr. Chairman, may I refer to the suggestion made by my good friend Senator McLean, that some action might be taken against persons who make such statements as we have been referring to. That is not practical at all. This statement was made about a branch of parliament; much of the statement was not true, and that is the only point I am objecting to. People can go out and criticize me all they want to, but I don't want them to tell lies in doing so.

Hon. Mr. HAIG: I move we adjourn.

The CHAIRMAN: We will come back after the Senate rises this afternoon and try to finish up the evidence of the broadcasting people.

At 1:15 the committee adjourned.

The Committee resumed at 4 o'clock p.m.

The CHAIRMAN: We have a quorum, and we will proceed. We had reached the point of asking questions from Mr. Dunton, and I presume we may continue right from there.

Hon. Mr. HAIG: When we adjourned Senator Reid had the floor, and I suggest that he be allowed to have it now, to ask questions.

Hon. Mr. REID: I will try to go easy and not monopolize all the afternoon. But there are a few pertinent questions I would like to ask Mr. Dunton. Taking the International Service first, I note in reading the report for 1950—I am not sure if I have the latest report, but the same question would apply whether the report is for 1950 or 1951—it says that a regular coverage of the United Nations in various languages is provided by the C.B.C. correspondent and other correspondents at Lake Success. At the request of the United Nations the international service has continued. Does that duty fall upon the International Radio of Canada from the United Nations? Are there any other nations of the United Nations Assembly there, such as the United States, who do broadcasting from the United Nations and send out the matters that transpire for the benefit of listeners in Europe?

Mr. DUNTON: Yes. The United States also does that. After all, perhaps only the United States and Canada could do it, because Lake Success of course is in the United States, and we are close to the United States and have transmitters. What that amounts to is that there is a line between New York and our headquarters in Montreal, and at certain times we pick up material from the United Nations which the United Nations Organization has arranged to broadcast to different countries. They allot a certain time to various national delegations to broadcast back to their own countries. It is really a piece of Canadian co-operation with the United Nations organization.

Hon. Mr. REID: Why would the International Service be required in an attempt to overcome the scarcity of distinctive Canadian songs? I am all for Canadian songs. The competition is open to all composers living in Canada. I would have thought that would have been a matter for the Canadian Broadcasting Corporation itself to put on a competition for the songs. Why would a job of that kind be placed under the International Service?

Mr. DUNTON: It arose because our International Service has found that there is a great demand for distinctively Canadian music in other countries. We get many requests from radio organizations abroad for something distinctively Canadian.

Hon. Mr. REID: But this is a competition open to Canadians living in Canada to come forward with a song that would be suitable—a chore which I would have thought could be done by the C.B.C. itself. I wondered why the International body undertook the responsibility.

Mr. DUNTON: I will explain how it arose. After the demand came on the International Service to provide more distinctively Canadian music, they found there was rather a shortage of music that is distinctively Canadian, and that is why the International Service organized that competition—in order to bring out more distinctive Canadian songs. I wish the C.B.C. itself could do more of this kind of thing, by offering prizes for competitions of different kinds. But we just have not the funds.

Hon. Mr. REID: How would composers in British Columbia know of it from the International Service? Would they be more likely to know from you?

Mr. DUNTON: It was very widely advertised in Canada. I have forgotten the methods used; but, for instance, all the musical organizations were communicated with and told about it, and other means were used to get the information about the competition to everybody who might be interested in it. It was very widely published in the newspapers, and so on.

Hon. Mr. REID: I would like to have some information regarding television. My first question is regarding licence fees when television is put into effect. At the present time I suppose we in British Columbia, like many other provinces, have many people receiving television from the United States. Now, when you get two stations going in Montreal and Toronto I suppose there will come a time when you will send them over some network. What will happen to those people who have a set right now and can get free of charge all the television they want?

Mr. DUNTON: I might say we have questions too to which we would like to have the answers. We do not set the licence fees; they are set by the government through the Department of Transport; and we at the present time neither know the amount of the proposed television licence fee, nor its application, how it will be applied. We would be quite interested to know.

Hon. Mr. REID: I notice something in your report that mentioned it.

Mr. DUNTON: Yes. The Massey report mentioned it, with other things.

Hon. Mr. HAIG: I have a question which has to do with television, though it has nothing to do really with the investigation. If you have television in Montreal and television in Toronto how far can you send that? Is there any system of sending it at all, say to Ottawa here?

Mr. DUNTON: Yes, but you would have to do it by network connection. In sound radio we do it by land lines which go from one station to another. In television you would need some network to get the program from Toronto to Ottawa to Montreal. That can be done by either coaxial cable, which is a very expensive form of communication, since you can't do it by telephone wire, or by means of what they call radio relay links, towers within sighting distance of each other, probably twenty miles apart, which communicate directly to each other; one beams it to another, and on to the next.

Hon. Mr. HAIG: If you wanted television from Toronto to Winnipeg it would cost a tremendous amount of money?

Mr. DUNTON: Oh, you would need a very extensive communication system, which could also carry thousands of telephone and telegraph circuits as well.

Hon. Mr. REID: We will have to wait on the other provinces before we get television over the C.B.C.

Mr. DUNTON: By extending it across the nation.

Hon. Mr. REID: Yes.

Mr. DUNTON: It will take some time. We look forward to it in the future. We think it will be a great thing for Canada when they get it.

Hon. Mr. REID: Some look forward to the Second Coming of Christ. I don't say that with levity, but in all seriousness.

Mr. DUNTON: I do not speak lightly, too, but I think the television network would come first. It is not beyond the economic means of Canada.

Hon. Mr. REID: I see that four and a half million dollars has been allotted for two large stations. Naturally, as a Canadian living in British Columbia, I want to get treated equally well with the people around Montreal and Toronto. I would like to know just how long we out there will have to wait.

Mr. DUNTON: I would like to explain, Senator, we envisage that we would have to have a network connection with a station in Vancouver by means of

what are called kinescope recordings, a system of recording on film, both vision and sound, of a television performance. We would make what is called a television transcription, ship it from Toronto to Vancouver, and play it next night. It is not as good because its quality is not as good as if it came over the network. But it is a very reasonable way of distributing television programs. It has been tried in the States, and we would start that way distributing programs across Canada.

Hon. Mr. REID: When do you expect the stations to be finished, and how much have they both cost to date?

Mr. DUNTON: The latest information appears to be, about January for the Toronto production centre. It depends entirely on construction. We have complicated equipment either ready for delivery or to be delivered very shortly. We have been held up because of the length of time it takes for construction today. And there may be further delays. You cannot depend on steel until it is actually on the job. We hope however that the building will be ready to start operations about January 1st.

Hon. Mr. HAIG: Next year?

Mr. DUNTON: Yes. 1952.

Hon. Mr. REID: I notice in the report you have been preparing for this purpose that you have sent men to find out what is being done in France, Great Britain and the United States?

Mr. DUNTON: Yes. There is a small group in Montreal and another in Toronto studying this matter. A great deal can be learned from what is going on in Great Britain and in the United States.

Hon. Mr. REID: Are you giving some consideration to the influence television has on the people of the United States?

Mr. DUNTON: To our way of thinking that is one of the most important factors about television. We feel it can be and undoubtedly will be an important social force in Canada. It will come into the home night after night and it will have a considerable influence on our people, particularly the children.

Hon. Mr. REID: Have you given consideration to both the good influence and the evil influence it may have?

Mr. DUNTON: We believe it can be a strong force on the side of good and against evil. First of all, it should be basically Canadian and not non-Canadian. It is not that we would shut out material from outside Canada. We would bring in a reasonable amount from the United States and other countries, but essentially it should be Canadian material going into Canadian homes. The effect of that material should be good, particularly on the young people. Television has a terrific appeal to children.

The CHAIRMAN: How much money will you be asking for television?

Mr. DUNTON: We were given a loan of \$4½ million last year. There is another loan in the estimates this year of a million and a half, and then as Dr. McCann stated in the house last year, we will be asking for financial loans up to \$10 million.

Hon. Mr. LAMBERT: Is that for television alone?

Mr. DUNTON: Yes.

The CHAIRMAN: This expenditure will bring this discussion into order.

Hon. Mr. REID: Have you been called upon to pay interest on loans before you get operating?

Mr. DUNTON: We certainly have, senator. As soon as we draw money on loan from the government we start to pay interest on it.

Hon. Mr. REID: What about your revenues from television?

Mr. DUNTON: The big one would be the licence fees. We would also expect to get some commercial revenue. That \$10 million loan was calculated on the basis that very soon we would be getting revenue back. It is not expected that it will be enough to cover the operating expenses at first.

Hon. Mr. REID: What about the radio building? Is it fully occupied? Is it all rented?

Mr. DUNTON: We had expected that we would have a floor or two vacant as a reserve of space. I think the space is pretty nearly all occupied or is going to be. There is one floor in reserve which will be likely occupied before long when our television staff gets in there.

Hon. Mr. REID: I want to say something about these weepy plays or soap operas where some man is courting another man's wife and the woman is always weeping. Some of these things last for an hour. My question is: Have you ever taken a poll to actually find out how many people follow these soap operas? I can see nothing elevating or educational about them. To use the word of the street, I think they are just tripe. I say this advisedly. The C.B.C. is held on a lofty plane and this is the sort of thing that we get. I am wondering whether you endeavour to find out how popular it is. I can bring you a lot of people who are opposed to it.

Hon. Mr. LAMBERT: These are the least costly things.

Hon. Mr. REID: We have been against sex magazines and here is the C.B.C. broadcasting this type of play. I will admit that the actors are good.

Hon. Mr. HAIG: You can turn the radio off. There is no law compelling you to listen to it.

Hon. Mr. REID: I know of one woman who has these plays on all day and it drives some people crazy.

The CHAIRMAN: What is the question?

Hon. Mr. REID: Has a poll ever been taken in this regard?

Mr. DUNTON: Yes, senator, a lot of surveys are done by outside firms on the listening audience of various programs. Perhaps you and many others would be discouraged to find that on the whole the soap operas are in general the most listened to daytime programs. It is interesting to note that while they are the most listened to they are also the most objected to. People are strongly divided on the matter.

Hon. Mr. REID: The selling of dope in Vancouver is becoming popular. You can sell all kinds of dope and salacious magazines. They are popular, but that is not what counts.

The CHAIRMAN: Would the radio audience have the choice of what program to listen to?

Mr. DUNTON: Not on our networks. Many people who live in areas where there are private stations would have a choice of two or three programs. Could I say a little more about soap operas? The Massey Commission has been critical in terms comparable to yours, Senator Reid. For a long time the Board would like to have replaced some of these programs by others, but we have been unable to do so because of a shortage of funds. In radio you are faced with a two-fold problem if you drop some commercial programs, say some soap operas. In the first place there is a large drop in your annual revenue, and in the second place you have to provide the extra cost for programs to put in the place of the soap operas. You lose money with one hand and you pay it out from the other. If we find ourselves in a better financial position we would hope to replace some of these programs with Canadian programs of greater value.

Hon. Mr. HAIG: I am no musical expert but you quite often hear very high class music on C.B.C. programs. Real musicians can appreciate such music but a lot of people like myself can not. There is a program which comes from Prince Edward Island—

Mr. DUNTON: Don Messer's Islanders.

Hon. Mr. HAIG: Yes, I like that better. You will notice at most gatherings that when a high class musician gets up and sings there is a polite applause afterwards, but when somebody gets up and sings a song like "Just a Wee Deoch-an-Doris", which everybody knows, the whole audience shows its appreciation. They find it far more entertaining. I think in the musical field you cater too much to highbrow people and not enough to the ordinary fellow who likes popular music. If you have a political meeting and you tell the people that Mrs. Smith from the Metropolitan Opera House is going to be the entertainer you will only have about ten people in the place, but if you say that you are going to have someone singing songs that were made famous by Harry Lauder you will fill the place. I do not think the great mass of people go for the high class stuff. The ordinary fellow who pays his licence fee should have a chance to hear what he wants.

Mr. DUNTON: I think if you were to look over our program schedules you would find a pretty good proportion of them are popular music programs.

Hon. Mr. LAMBERT: I think one of the most effective answers to Senator Haig's objection is the feature called Singing Stars of Tomorrow. That is high-brow music and it is a wonderful program.

Hon. Mr. HAIG: That is because you are interested in these young women getting recognized in the world of music.

Hon. Mr. LAMBERT: There is quality in that program.

Hon. Mr. REID: I have a letter with reference to a farm forum that took place in Toronto last year. I wonder why you would go to the expense of bringing a farmer all the way from British Columbia, flying him both ways and putting him up at a hotel, in order that he might take part in a forum lasting fifteen minutes. It must have cost \$500 to \$600 to put that man on the program in Toronto. Could you not have saved money by putting him on a program in Vancouver?

Mr. DUNTON: The forum used to move around to different places, say to Vancouver, Calgary, Saint John, Halifax and so on, but we decided to try out this other scheme of keeping the forum itself fairly stationary and bringing in people from other places. One advantage of that scheme is that on a forum you may have a man from British Columbia, another from the Maritimes and another from Ontario or Quebec, whereas when the forum was moving around you were more likely to get the viewpoints of people from more or less the same district. Also, this new scheme does not necessarily cost more, because we save on the travelling expenses of our own people. If we have a forum at Vancouver, for instance, we have to send a crew out there to handle it.

The CHAIRMAN: Do you have any difficulty in getting artists—I suppose I might call them artists—to take part in these forums?

Mr. DUNTON: Quite often we do. It is often not easy to find someone who is an authority on a given subject and a good broadcaster, and many people seem to be diffident about going on the air. During the years we have been particularly disappointed because of the difficulty of getting good business men to take part in a broadcast; again and again we have been turned down by representative business men. That situation, I might say, is improving; in the last two or three years more and more business organizations seemed to have recognized the importance of making their viewpoint known to the radio public. But it is still more difficult to get business people than representatives of other groups.

The CHAIRMAN: I suppose you have no difficulty in getting certain classes to speak, those who have some particular views that they wish to publicize?

Mr. DUNTON: There are some people who are too easy to get and whom we have to try to avoid. On these forums what we want are people who are representative of various points of view.

Hon. Mr. REID: On the international broadcasts do you use speakers who were born in the foreign countries to which the broadcasts are going?

Mr. DUNTON: Yes, we have to do that sometimes, because in Canada there are not enough native-born people with the necessary language qualifications. In the International Service we try to use our own staff as much as possible, and when we have to use outsiders we get Canadians if they are available. If a native-born Canadian is not available for a certain occasion we try to get a naturalized Canadian, but still there are some occasions on which we have to use people who are not naturalized. We try to check up on them before we employ them, of course. Listeners in Germany or Holland, for instance, would be likely to tune out our broadcasts if the language used on them was not correct. We have to be careful about that sort of thing, to see that the speakers have a good knowledge of the language in which they are speaking and can use it idiomatically. That is why it is sometimes necessary to employ foreigners on the International Service.

Hon. Mr. REID: Here is a point that I wish to make. I think that when the C.B.C. is sending broadcasts to other countries it should use speakers who have a Canadian voice. I do not think anyone with an extremely pronounced accent should be used. I have particularly noticed at times that people with a strong English accent are speaking in these broadcasts from Canada. I have nothing against an accent, for I myself have one that indicates clearly the country where I was born. But we have what is known as a Canadian voice, a voice which is typical of the whole country from Newfoundland to Vancouver Island.

Hon. Mr. HAIG: Oh, no.

Hon. Mr. REID: Well, it is pretty much the same, and I think that on our international broadcasts in English we should use people who have this Canadian voice.

Mr. DUNTON: I may say that for the International Service in English, perhaps more than for the National Service, we do try to find people with a definitely Canadian voice. I think that when people in England, for instance, listen to a broadcast from this country they expect to hear a Canadian accent.

Hon. Mr. HAIG: How do you choose the men who speak on the Capital Report every Sunday from London, Washington and Ottawa?

Mr. DUNTON: They are chosen by our people from a panel, sir. You will notice that from Ottawa, for instance, there is a variety of speakers.

Hon. Mr. HAIG: You seem to have three who speak from Ottawa.

Mr. DUNTON: Yes, about three.

Hon. Mr. HAIG: And two who speak from Washington, and perhaps three from London.

Mr. DUNTON: I believe that is so.

Hon. Mr. HAIG: I have listened to the program every Sunday for the last year and a half.

Mr. DUNTON: In Ottawa we choose men who in our opinion are good observers and good broadcasters and who seem to have slightly different points of view from one another.

Hon. Mr. HAIG: And the men in Washington are chosen in the same way, I suppose?

Mr. DUNTON: We would like to have more Canadians speak from Washington, but there are not many Canadian observers available there. I think you will agree that we have had some very good reports from Washington.

Hon. Mr. LAMBERT: I should like to say that I think James Minafee who reports from Washington is one of the best reporters I have ever listened to.

Hon. Mr. HAIG: Yes. I get a better understanding of American conditions from his broadcast than from anything I can find in the newspapers. Now may I ask you how you choose your speakers for the Sunday night broadcasts? You have a news broadcast of about ten minutes, and then you have a speaker for ten minutes and another general speaker for ten minutes. How are these people chosen?

Mr. DUNTON: There is no set pattern. We would like to have an important talk on some subject every Sunday night. That should be one of the outstanding talks of the week, and for these broadcasts we try to find prominent people, Canadians if possible, or otherwise some prominent visitors to this country.

Hon. Mr. HAIG: One Sunday night a little more than two months ago, I think it was, the talk consisted of a bitter attack on a member of the cabinet. I resent that kind of thing very much and I do not think you should allow it to be repeated.

Mr. DUNTON: That was the Week-End Review, after the news?

Hon. Mr. HAIG: Yes. It was purely a political attack, and we do not need that in Canada. I do not object to anyone expressing his political views, but I do resent it when someone makes a political attack. I wondered how these speakers were chosen.

Hon. Mr. REID: I see at page 44 reference is made to forty reporters across Canada contributing to the *Canadian Chronicle*. What would be the cost of forty reporters?

Mr. DUNTON: This is mostly for International Radio, going to Europe.

The CHAIRMAN: Before we get away from the international aspect of things, I should like to ask Mr. Dunton what evidence he has that these broadcasts are listened to internationally.

Mr. DUNTON: It is very difficult to get an accurate account of your "sale" or its effect; the only evidence we have, and it is not perfect, is in the volume of mail we receive which, I think, has been surprisingly good for such a young service. We are getting letters now at the rate of 50,000 a year, which is a pretty good number. Practically all those letters are really serious; they are not just letters written to say that our program has been heard, but they are written to make some comment on the program or on Canada. Indeed, the letters from these people are most fascinating.

The CHAIRMAN: Those letters come from other countries than Canada?

Mr. DUNTON: Yes, they are from all over. The outstanding example was that last December we started our newest service of a broadcast once a week to Finland at very small cost. Within a few weeks of the first broadcast we had received a thousand requests for our schedule, and the Finnish mail has run into some thousands of letters.

The CHAIRMAN: 50,000 letters a year is, I would think, a good response.

Mr. DUNTON: Yes. We used to get a good mail from Czechoslovakia; in fact, it was one of our best sources. But from 1948 on the mail went down. However, some people take the trouble to have their letters smuggled out of Czechoslovakia, in which they say "keep up the good work; this is very important", and that sort of thing.

The CHAIRMAN: Is there any particular preference shown in these letters as to the type of program the people would like to hear?

Mr. DUNTON: A lot of them want information about Canada. That seems to be the important thing. A good many write about our news coverage, which is our general news, including international as well as Canadian; but the burden of a good many letters is that they are grateful for the information about Canada and would like to hear more broadcasts dealing with life in Canada as a whole.

The CHAIRMAN: Just as an illustration—and this is my last question—you are broadcasting the program "Prairie Schooner" every Sunday night, I believe.

Mr. DUNTON: Yes.

The CHAIRMAN: That is broadcast internationally.

Mr. DUNTON: Yes; I think Senator Reid might be interested in that.

The CHAIRMAN: Do you get any response to that program?

Mr. DUNTON: Yes, we get a lot of response to it. *Prairie Schooner* is not only broadcast on our shortwave but is picked up by the Scottish region of the B.B.C. and broadcast in Scotland. We get a lot of letters from over there.

Hon. Mr. REID: I was about to ask why more programs are not directed to Great Britain and the United States, instead of being concentrated in Latin America. I have been reading the report, and I believe if there are two countries that need to know more about Canada it is the United States and Great Britain. As you know, the people in the United States know little or nothing about Canada; we know much more about the Americans than they know about us. If there is one place in the world where International Radio should go, it is to Great Britain and to the United States. Some of the British people think Canada is a frozen country, yet you concentrate on Latin American countries.

Mr. DUNTON: It is partly a technical problem. We have two transmitters, and they have to operate at the same time; they operate on two different frequencies to get through to Britain and Europe. As the service grew, the Department of External Affairs thought it important to broadcast to such countries as Italy, Russia and so on, but there are only so many hours of good listening time each day in Europe. We cut down the amount of English broadcasting in the direction of Europe, because of other broadcasting. Personally, I wish we were beaming more English to Great Britain, but we can't do that.

The Latin American countries are on a different time. If we are broadcasting to Europe at say 7 o'clock in the morning, our time, it would be then 1 to 2 o'clock in the afternoon over there. We start a little later than that, and run through until the late afternoon. After 7 o'clock our time, there is no use trying to broadcast to Europe. Then we turn our transmitters to the Latin Americas. So during most of the evening we might as well broadcast to Latin America, since the listening time in Europe is not good.

Hon. Mr. REID: Would you care to say a word about Radio College? It appears to be mostly French. Is there any English in Radio College?

Mr. DUNTON: Yes. I might explain on the English side we run a school broadcasting in co-operation with the provincial departments of education. I think it is a fine example of federal and provincial co-operation.

Hon. Mr. REID: You have schools too, but I am speaking of Radio College.

Mr. DUNTON: In Quebec, on the French side, there is no similar organization for broadcasting to the schools in school time. We have developed a

series of broadcasts which we call "Radio Collège", which are educational broadcasts out of school time and which are designed rather more to reach people of the high school level.

Hon. Mr. REID: Have you anything comparable to the English programs which go to other provinces, such as British Columbia?

Mr. DUNTON: Yes and no, in that their educational broadcasts are directed to young people in English, and are broadcast during the school hours; while in Quebec the broadcasts are made to the young people out of school hours and are listened to at home.

Hon. Mr. BASHA: You referred a moment ago to the fan mail, if that is the proper term, and stated that about 50,000 letters a year are received. Would it be appropriate to ask you if any of the letters are from the countries in Eastern Europe, such as Russia?

Mr. DUNTON: Yes; we started in Russia with the service only at the beginning of February this year. We really did not expect to get any mail from that country, and we haven't; I do not think there is much chance of our getting any response from Russia. As I said earlier, prior to 1948 we were getting more than 1,000 letters a month from Czechoslovakia, but after the coup in 1948 the flow dwindled very quickly. Now we get practically none, except from the few people who go to the trouble of having their letters smuggled out of Czechoslovakia, which shows a great measure of appreciation in their taking that chance. We have enough to present good evidence of a lot of listening in Czechoslovakia, in spite of their laws and restrictions.

Hon. Mr. REID: These broadcasts which go to foreign countries must involve considerable financial outlay, and they should serve to educate the people abroad as to Canadian affairs.

Mr. DUNTON: True.

Hon. Mr. REID: I notice in your report that a lot of time is given over to the broadcasting of orchestra music to the Latin American countries. I wondered if that is within the proper jurisdiction of the C.B.C., to provide foreign countries with music. I want to hold it down somewhere, and I am wondering if we are called upon to entertain them in that way.

Mr. DUNTON: We are obliged to do so in the Latin American service, which started later than the others. We found that in order to get these people listening we had to first provide some music. We had planned some fairly spectacular things in the first year; then economy measures were introduced and music to the Latin American countries has had to be curtailed. We find it is necessary to offer them some entertainment by way of music.

Hon. Mr. REID: Is that done by records or by orchestra playing?

Mr. DUNTON: Both.

Hon. Mr. REID: It would cost considerable to employ an orchestra for that purpose.

Mr. DUNTON: Yes. It has been cut down, but the music provides good listener bait. If you are to talk about Canada, the people in Latin America must first be induced to listen to music.

Hon. Mr. REID: Just as long as you intercept it occasionally?

Mr. DUNTON: We do. In the European field there is a very little music played; for the most part it is news, commentaries and verbal comment about Canada. There is very little music left. I wish we could do more to liven up the program and get still more listeners. You don't want to broadcast to dead air.

Hon. Mr. REID: My next question has nothing to do with prejudice, but I should like to know about the French-speaking stations. It has been suggested

to me that certain private stations have applied for radio licence to broadcast French programs, and later, by reason of the fact that there were few listeners, change to English programs. I am thinking particularly of stations in the West. Has a check-up been made on these stations, and are they being listened to?

Mr. DUNTON: I take it you are thinking of the applications for stations in the French language in the provinces of Manitoba, Saskatchewan and Alberta?

Hon. Mr. REID: Yes; they come out flat-footed and say that you must tell the commissioner that you are setting up a French speaking program, when making application. After they get them they find they are not being listened to, and change to English. I am wondering if you make a check-up on cases of this kind, because it seems to me to be getting a radio licence under false pretences.

Mr. DUNTON: In the case of St. Boniface and the more recent station at Edmonton we were very careful to restrict the applicants to a French station, and we have checked up and find that they are being carried on as such.

Hon. Mr. REID: How do you check up?

Mr. DUNTON: We have offices of our own in both places, and it is easy to check up.

Hon. Mr. HAIG: I listen sometimes to St. Boniface, and it was always French when I checked it.

Hon. Mr. HOWDEN: It is darned good music.

Hon. Mr. HAIG: I don't try to check it, but I turn it on sometimes by mistake, when I am trying to get CJOB or something. It is usually music, and always French.

Hon. Mr. HOWDEN: The best music we get over C.B.C. comes from St. Boniface.

Hon. Mr. REID: I notice that there are broadcasts going to fishermen, particularly in the Maritimes. What is being done for the fishermen in British Columbia?

Mr. DUNTON: We are just discussing now a broadcast in British Columbia for the fishermen. It has been discussed with the fishermen's organizations out there. If it is not in effect now, I hope it will be very soon.

Hon. Mr. REID: From whom do you get your information for broadcasts, from the Fisheries Department?

Mr. DUNTON: From every place we can. On the Atlantic coast we get it from the Fisheries Department, and from provincial governments where it applies; and the weather people.

The CHAIRMAN: In arranging your broadcasts, do you act on reasonable investigation of what will be pleasing to your listeners, or do you attempt to give the listeners some new ideas?

Mr. DUNTON: It is a combination of both. We believe there is no single animal, the Canadian public, who knows what it wants. It is made up of individuals who have different tastes, and often conflicting tastes. We try to portion out our programs to meet the requirements of different tastes with different types of music, information programs, discussion programs, dramas and so on, in a proportion in which they reflect the desires of the public; but we also try to give a perhaps a very slightly larger measure of the better type of programs, because experience shows that if people have the chance to listen to good music, good plays, good talks, their tastes will improve and the

audience for these things will grow. We do not want to force people to take things they don't want, but we think people should have a chance to develop new tastes, and they are doing so.

Hon. Mr. GOLDING: Mr. Dunton, Senator Haig referred to a certain commentator. These commentators you use, are they paid?

Mr. DUNTON: They are paid on a per occasion basis; for each time they broadcast they are paid a fee.

Hon. Mr. ISNOR: And would you re-employ the type of man referred to by Senator Haig?

Mr. DUNTON: He has been on the air since.

Hon. Mr. ISNOR: You knew of that case?

Mr. DUNTON: Yes, I knew.

Hon. Mr. ISNOR: I was going to ask Mr. Dunton: I understand you devote 20 per cent of your time, roughly speaking, to commercials?

Mr. DUNTON: Yes, statistically about 20 per cent of all network programs originating on C.B.C. are commercially sponsored.

Hon. Mr. ISNOR: And that represents in dollars and cents, roughly speaking, \$2,200,000, or about one-third of your total revenue?

Mr. DUNTON: That is right.

Hon. Mr. ISNOR: And, having had it brought to your attention, in the report of the Massey Commission, that the C.B.C. is a public servant in matters of culture, have you ever considered doing away with commercials altogether?

Mr. DUNTON: It has been thought about often, but it would simply not be practical under the present financial position, nor, I think, desirable unless we had a very much larger provision of funds than we have or than we are likely to get. Supposing we dropped all our commercial broadcasting. In the first place we would have to face a drop in revenues of about two and a half million dollars this year, which is a big amount, and would have to replace these programs with others, and if we are to keep a balanced schedule and give people the light entertainment as well as the heavier stuff, we would have to provide big funds for entertainment, including bands, to maintain the service to listeners, particularly the more popular type of programs. I think we would do much better with any funds we have available to concentrate on improving the quality of the programs that are on the air already. That will take plenty of money and plenty of effort.

Hon. Mr. HAIG: I hope you will not cut out the Foster Hewitt broadcast, Saturday night. There would be murder, there would be a revolution!

Mr. DUNTON: We are not thinking of it.

Hon. Mr. HAIG: You had better not. Next to the news, I think that is one of the most listened-to broadcasts.

Mr. DUNTON: I think you must realize that if you dropped one or two soap operas there would be protests from some people!

Hon. Mr. HAIG: The Imperial Oil broadcast on Saturday night. People drop everything to listen to that.

Mr. DUNTON: It is a great Canadian program.

Hon. Mr. LAMBERT: Have there been any definite financial items appropriated or estimated for the expenditure on television for the coming year?

Mr. DUNTON: There is in the estimates for the loan for this year, I think, one and a half million dollars.

Hon. Mr. LAMBERT: That is just for research?

Mr. DUNTON: No. That will be for—

Hon. Mr. LAMBERT: Capital equipment?

Mr. DUNTON: It will be mostly for initial developments and operational expenditures.

Hon. Mr. LAMBERT: Can you give us an idea of the capital expenditure that would be involved in the establishment of television equipment across this country adequate to the demands of different parts of the country for it?

Mr. DUNTON: Yes. We have had a number of studies done about this. Prices may have changed to some extent since, but we think that transmission facilities with adequate studios and so on for a service based on all the main points in Canada, and covering well over half the population, will involve a capital expenditure of somewhere around eighteen or nineteen million dollars.

Hon. Mr. LAMBERT: That would introduce television in a very general way?

Mr. DUNTON: In a broad way, yes.

Hon. Mr. LAMBERT: What about the revenue from licences?

Mr. DUNTON: We did not govern revenues from licences. We explained to the Massey Commission that our calculating had been done on the basis of \$10 per television set, which is not as big as it was two and a half years ago when we did the calculation.

Hon. Mr. LAMBERT: That would be in addition to the radio licence, of course.

Mr. DUNTON: Yes.

Hon. Mr. LAMBERT: Have you given any consideration lately to facsimile equipment?

Mr. DUNTON: We have not particularly, because facsimile equipment seems to us a pretty sleepy duck. Facsimile is a thing that every year for the last fifteen years has been "just around the corner", but it never seems to come.

Hon. Mr. LAMBERT: Why?

Mr. DUNTON: Because those who experimented with it found it is not economical. It is practical to reproduce at a distance by facsimile a piece of newspaper, but a number of people who have tried it in the States have found it much more expensive than the old-fashioned way of printing a paper and getting it out. I think by now that all experiments in this regard have been dropped. I know that one was turned over to a university research organization.

Hon. Mr. LAMBERT: Could you conceive of revenue from that source on a scale that would have a very direct effect on the press and newspaper activities in this country? I am wondering if radio organizations could, through facsimile, supply the reading people of this country with news in a different way than is done now. I am wondering about this from the point of view of revenue.

Mr. DUNTON: We have never seriously thought of going into facsimile transmission because it becomes more a means of reproducing at a distance something that is a picture or type matter. We have thought that our main work should be in sound broadcasting and, in the future, in television. I do not know how it might develop in Canada. If it seemed practical, newspapers might want to use it, but I cannot see any extra revenue in it, certainly not from our point of view. For some years now we have been rather skeptical about all this talk as to facsimile. It is practical, however, from a technical point of view.

Hon. Mr. LAMBERT: It might serve as a substitute for some of your news broadcasts.

Hon. Mr. REID: Do you think there is any possibility of ever paying back the government loans out of your assets?

Mr. DUNTON: Up until a few years ago the Corporation always went on the principle that it had certain revenues and lived within those, and that it

paid its way entirely. We are one of the few organizations that has never had any capital. We have built up our capital assets out of annual revenues. We would expect that these last loans represented by \$2 million and \$1 $\frac{1}{4}$ million would be paid back, interest and principal, out of revenues. That is the way it has been done before.

Hon. Mr. REID: Where is the money coming from for bonds? You have invested nearly \$6 million in bonds. Where has that money come from?

Mr. DUNTON: I might explain that a good part of what is represented in this loan of \$4 $\frac{1}{2}$ million for television has been drawn but has not been spent. We had to pay interest on the loan from the government so we invested the money until paying it out to contractors.

Hon. Mr. REID: Then you have not got as much money as this table would indicate?

Mr. DUNTON: No. We have the money but there are heavy commitments for paying it out.

Hon. Mr. REID: It presents a nice picture but it is not so good when you look into it.

Mr. DUNTON: The Corporation is being caught in a complete squeeze between rising costs and a fixed revenue rate. That cannot go on. Something has to give. Either our whole revenue basis will have to be changed, or the whole system will have to be heavily cut. We presume some decision will come about following the Massey Commission report.

Hon. Mr. ISNOR: I notice that you say your Dominion of Canada bonds have a certain appreciated value. I am wondering how you base that? Is that based on the present-day market value?

Mr. DUNTON: It was the market value at that time.

Hon. Mr. ISNOR: When was that time?

Mr. DUNTON: The date on the balance sheet, March 31, 1950.

Hon. Mr. ISNOR: I just happened to notice that while looking at something else. I am interested in knowing what reaction you have had to business and labour programs, and also political broadcasts. I think I had better say what I have in mind. I believe that the general public have had just about enough of the business and labour forums and of political broadcasts. I do not think any good purpose can be served by them and that you might use that time to better advantage. Perhaps you can show that they are still creating an interest.

Mr. DUNTON: Dealing with business and labour first: I think we would agree with you that listeners could easily get bored by endless arguments between business and labour. Our main program on the Dominion network in this respect has been one called Cross Section. We have tried to develop that program into a more varied format. Some nights there will be discussions, other nights the program will give a picture of industry in a certain region of the country. Some programs will be based on psychological dramas about personal relations in industry right from the executives down. I should think that that sort of thing has been quite successful. We have certainly had a great many expressions of interest both from business and labour. We try to be fair to both sides. I think that is worth doing and developing further.

On the political side, it is very difficult to comment. It does seem that part of the function of a broadcasting system is to provide for the dissemination of political opinion. Presumably the political leaders are the best people to do this. How often or how continuously it should go on is perhaps a matter for their judgment as much as it is for ours.

Hon. Mr. ISNOR: Do you get any letters in so far as political broadcasts are concerned?

Mr. DUNTON: I do not think the response has been very great lately, to us.

Hon. Mr. LAMBERT: Is it not true that that service was developed as a result of the recommendations of the Parliamentary Committee on Radio Broadcasting?

Mr. DUNTON: I think it was. The Corporation believes that it is proper to provide a system of free time to political parties on a fair basis.

Hon. Mr. REID: On page 62 there is an item "Add allowance for depreciation and obsolescence, $2\frac{1}{2}$ per cent on buildings \$45,012.83 and 5 per cent on equipment, \$166,136.04, totalling \$211,148.87". Have you actually that cash on hand or is it simply a bookkeeping entry?

Mr. DUNTON: It is a bookkeeping entry.

Hon. Mr. REID: Then why should it appear as an expenditure? Why should the statement be falsified in this way? You are making it appear that there is over \$200,000 for depreciation on buildings and equipment.

Mr. DUNTON: I am not a technical bookkeeper, but I may say we do it because the Auditor General tells us we should do it.

Hon. Mr. BURCHILL: All corporations do it. That is common practice.

Hon. Mr. REID: The item for salaries is a large one. May I ask what Elmore Philpott would earn from the Corporation in a year?

Mr. DUNTON: He is not on the staff of the Corporation, to my knowledge, and never has been on it.

Hon. Mr. REID: He is engaged now, is he not, to make broadcasts? He is on a trip now?

Mr. DUNTON: Yes, but still he is not hired. I think he is doing several broadcasts, but he is not an employee. He would simply be paid a fee for each time he broadcast.

Hon. Mr. GOLDING: I have a question with reference to the commentators. I know that a person has to be careful not to tell too much about his business, and perhaps you will not care to answer this question. It is this: Is there any set fee for the commentators?

Mr. DUNTON: Yes. There is no regulation laid down about it, but our program department have a general rate that they pay to commentators—for instance, to those on the Capital Report. There may be some variation in the amounts paid to different commentators, but it would be within a very close range. We have to follow that policy, in fairness.

Hon. Mr. REID: What is the arrangement between United States broadcasting systems and the C.B.C.? I take it that you accept programs from United States broadcasters and they accept some from you.

Mr. DUNTON: Yes. We often wish they would take more of our programs.

Hon. Mr. REID: Do you pay them for the broadcasts you take from them and do they pay you for the broadcasts that come from here?

Mr. DUNTON: No. There is a friendly arrangement under which when we take a commercial program from an American network we are paid by the sponsor, because it is carried on our facilities, and the American network gets a commission.

Hon. Mr. REID: Take the Fibber McGee and Molly program, for instance.

Mr. DUNTON: We would be paid the full rate for our facilities and the American network would get a commission on it. But we do not pay anything

for non-commercial programs that we get from American networks, nor do the American networks pay us anything for any of our non-commercial programs that they use.

Hon. Mr. REID: Do you pay anything for the Fibber McGee and Molly programs?

Mr. DUNTON: No, senator; we are paid for carrying it on our facilities.

Hon. Mr. LAMBERT: I suppose those arrangements are made through brokers, are they?

Mr. DUNTON: No, we make them directly with the networks. Of course the advertising agencies act on behalf of the sponsors in connection with all commercial programs.

Hon. Mr. LAMBERT: Is there any way in which you could get along without the advertising agencies? As I recall, you used to pay about half a million dollars a year to advertising agencies. Could you save that money by having your own organization deal directly with the sponsors?

Mr. DUNTON: It might be possible, but it would require quite a revolution in commercial practice in this country. Most sponsors are used to dealing with advertising agencies who handle their newspaper and other advertising, and they normally expect advice from them in the preparation of any program that is to be broadcast.

Hon. Mr. LAMBERT: And I suppose you would have to set up a special department to do that work, if it could be done by your organization at all?

Mr. DUNTON: Yes. But, frankly, we would not be in a position to give advice to sponsors as to how their products should be advertised.

Hon. Mr. REID: Who is the supervisor of international programs?

Mr. DUNTON: The general supervisor is Mr. Dilworth.

Hon. Mr. REID: May I ask you if a cabinet minister sits in when matters of policy as to international programs are decided?

Mr. DUNTON: I think there have been discussions with the minister. There is an advisory committee which meets occasionally, but there is no formal body with a cabinet minister on it. However, we are in constant communication with the Department of External Affairs.

Hon. Mr. ISNOR: I notice that the Massey Commission commended you for one of your service publications. Has that got a very wide distribution?

Mr. DUNTON: Do you mean the *C.B.C. Times*?

Hon. Mr. ISNOR: I forget the name.

Mr. DUNTON: I think you are referring to the *C.B.C. Times*, sir. It has not nearly as wide a distribution as we wish it had. I think the total circulation in Canada now is about 15,000.

Hon. Mr. LAMBERT: Has that got the same function as the *Listener* which is published by the B.B.C.?

Mr. DUNTON: No, senator; it has the same function as the *Radio Times* which is published in Britain. It is designed to give people advance information on programs available on the C.B.C. We found after we started putting out this publication that we were able to include in it a good deal of miscellaneous information for listeners which had formerly been published and distributed separately, and in this way we were able to effect some economy.

Hon. Mr. BURCHILL: How often is it published?

Mr. DUNTON: Once a week.

Hon. Mr. ISNOR: What does it cost?

Mr. DUNTON: Two dollars a year.

Hon. Mr. ISNOR: You sell it, do you?

Mr. DUNTON: Yes.

Hon. Mr. ISNOR: Does it show a profit?

Mr. DUNTON: No. I think that \$2 covers the actual cost of the publication, but not the original editorial cost. However, the corporation's net expenditure is not any greater because of publishing the *C.B.C. Times*, for in it we include much information that otherwise would have to be published separately.

Hon. Mr. REID: What is the average cost of those plays that are put on by groups of people?

Mr. DUNTON: The C.B.C. plays are put on by our own producers. The cost varies according to the size of the cast, the size of the orchestra and that sort of thing. One of our major one-hour plays would probably run to \$1,200 to \$1,500.

Hon. Mr. REID: I am just wondering how many people actually listen to one of these plays for a whole hour. You may have the radio on and be listening when someone comes to the door or calls you on the telephone, and by the time you get back to the radio the play may be over.

Mr. DUNTON: We get a great deal of comment on our stage plays—our Stage 50 plays, for instance—which are broadcast on Sunday night. The response that we get indicates that a good many people do listen to them. People who prefer to listen to music can exercise their choice by tuning in to the Dominion network, which also is pretty popular.

Hon. Mr. REID: How many hours a day does the C.B.C. carry on?

Mr. DUNTON: An average of sixteen hours. That means sixteen hours in six different time zones. There is of course some overlapping, with the result that some part of the system is working twenty-two or twenty-three hours a day.

Hon. Mr. ISNOR: Some people who are interested in local opera societies contend it is very difficult for them to get time on the air. An opera society will spend weeks in preparing to put on an opera, and it seems to me that some attempt should be made to enable them to broadcast at least a half-hour program occasionally. Do you not think that would be beneficial to the Canadian public?

Mr. DUNTON: Well, I think a number of factors might be involved, senator. In the first place, we do not want too much opera on the air. Some people do not like opera; they much prefer popular music. I would think, however, it should be good on the local station. If we are doing a network opera, it should be of network calibre, and of interest to the people outside the area where it is being produced. We have to balance the claims from all the different parts of the country. I could not give you a definite answer on this point. We do our best to encourage talent, and to see that talent that is good enough for network distribution is used. I should like to see private stations do more broadcasting of this sort, and give their local talent a chance to be heard by their own people.

Hon. Mr. ISNOR: I have in mind the Nova Scotia Operatic Society, which devotes months of preparation to the production of one or two operas a year. They put on an exceptionally fine performance, and they would like to have a half hour—not a full hour or two hours—to put on an operatic program over Station CBH, Halifax. I think that is a reasonable request, and that it should be given favourable consideration.

Mr. DUNTON: An operatic program of one hour or two hours is quite a big production.

Hon. Mr. ISNOR: I am not asking for that; I just want a half hour.

Hon. Mr. LAMBERT: That is a local matter. The C.B.C. has presented several operas during the past year.

Hon. Mr. ISNOR: Costing a lot of money.

Hon. Mr. LAMBERT: I suppose the two could be linked up to some extent; eventually the development which has been referred to by Senator Isnor in the Halifax area might be made use of by C.B.C. and used in a national broadcast. Personally, I have thought the C.B.C. opera performances were surprisingly good.

Mr. DUNTON: They have shown what young Canadians with a little training can do.

Hon. Mr. LAMBERT: It was surprisingly good; the voices were outstanding.

Mr. DUNTON: I think Canada is growing musically very fast.

The CHAIRMAN: Any further questions? We have had a pretty long day, but I do not wish to shut off anyone.

Hon. Mr. HAIG: I think we ought to thank Mr. Dunton and his associates for appearing here today.

The CHAIRMAN: I was about to do that. On behalf of the committee, Mr. Dunton, I wish to thank you and your associates for coming here and letting a little light shine into our darkness on these things.

Mr. DUNTON: Thank you.

At 5.30 p.m. the committee adjourned.

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Committee on (Senate) 1951

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PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 10

TUESDAY, JUNE 12, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. Clifford Jackson, Economist.

APPENDICES

- F. Some Canadian Monetary Statistics 1939 to 1950.
- G. Government Expenditures and the Gross National Product 1939 to 1950.

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1951

THE STANDING COMMITTEE ON FINANCE

The Honourable THOMAS A. CRERAR, P.C., Chairman.

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Hewden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Veniot
Farquhar	McDonald	Vien
Farris	McIntyre	Wilson
Fogo		

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said Estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, June 12, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11 a.m.

Present: The Honourable Senators:— Crerar, Chairman; Aseltine, Barbour, Basha, Bouffard, Buchanan, Burchill, Euler, Farquhar, Golding, Gouin, Haig, Horner, Howden, King, Lambert, McDonald, McIntyre, McLean, Paterson, Reid, Turgeon and Wilson—23.

In attendance: the official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

Mr. Gilbert Jackson, economist, Toronto, Ontario, was heard.

The following documents, filed by Mr. Jackson, were ordered to be printed as appendices to Proceedings No. 10:

F. Some Canadian Monetary Statistics 1939 to 1950.

G. Government Expenditures and the Gross National Product 1939 to 1950.

At 1.00 p.m. the Committee adjourned.

At 5.00 p.m. the Committee resumed.

Present: The Honourable Senators:— Crerar, Chairman; Aseltine, Buchanan, Burchill, Euler, Golding, Gouin, Haig, King, McDonald, McIntyre, McLean, Reid, Roebuck, Vaillancourt, Vien and Wilson—16.

Mr. Gilbert Jackson was further heard.

At 6.00 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, TUESDAY, JUNE 12, 1951.

The Committee on Finance, which was authorized to examine the Estimates for the fiscal year ending March 31, 1952, met this day at 11 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: Gentlemen, we will come to order. I have much pleasure in introducing to the committee Mr. Gilbert Jackson of Toronto. Mr. Jackson is a noted economist, and is here to give us the benefit of his judgment and experience on the problems that we are considering.

At the beginning I think I might suggest to Mr. Jackson that he gives us his definition, or his idea, of what causes inflation. The classical notion that we hear so much about is that there is an oversupply of money and an undersupply of goods; that the oversupply of money comes in competition with the short supply of goods, and as a result prices are pushed upward; further, that the remedy is either to reduce the amount of money available for the goods, or to increase the supply of goods. Perhaps, Mr. Jackson, you might start out by saying whether or not you agree with that theory or definition.

Hon. Mr. HAIG: Mr. Chairman, before Mr. Jackson starts, it occurs to me that a word or two should be said about the object of our investigation. In that way he would better understand what we have in mind. It need not influence his statement, but he will appreciate then what we are trying to accomplish, and some of the things he might say on a general discussion need not be said on this investigation. If I were permitted by the committee to take two or three minutes, I would be glad to give a general outline, but I do not wish to do so unless it is the wishes of the committee.

Some Hon. SENATOR: Go ahead.

The CHAIRMAN: I may say that when I wrote Mr. Jackson inviting him to appear before the committee, I outlined in general terms what we were trying to do; since that time I have forwarded to Mr. Jackson copies of the evidence so far as they were available up until he left Toronto last Monday.

Hon. Mr. HAIG: Just a word or two then, Mr. Chairman and Mr. Jackson. This committee is most anxious to make a contribution with a view to informing the public as to what we senators, or members of parliament, can do to help relieve the pressure caused by the high cost of living in our country. We are not particularly anxious to hear evidence that will condemn the present government in Ottawa, or the government of any province or any municipality, for certain things that they have done; neither are we trying to protect them. We are, however, trying to educate the public as to some of the basic factors that enter into the different phases of this complex problem, especially in the matter of living costs, and to determine what part the governments in Canada could play, if they so desired, to reduce the cost of living, I am referring particularly to policies of any government, for I am not interested in them. Our concern is not to show that part of the country is contributing more than its share. For instance, I am not attempting to prove that the farmers are getting too much, or that labourers or lawyers are doing too well.

I think, that that is the view of the committee, namely to get to the public the fundamental and basic policies that might be adopted to help relieve, if possible, the pressure on the people caused by the high cost of living.

Mr. JACKSON: I think the best working definition of inflation is the one you have given, Mr. Chairman, which is a situation in which too many dollars are chasing too few goods. There is no definition that cannot be shot at, but your definition seems to me to be expressive of the situation which we are trying to deal with.

Hon. Mr. HORNER: But may I say that there are many things, such as manufactured goods, of which there is an abundance, and yet the price continues to go up. Indeed, it sometimes rises two or three times in a month, at a time when the world is full of those commodities. There is no question of shortages in many instances.

Mr. JACKSON: When I said "too many dollars chasing too few goods", I meant too many dollars in relation to the goods offered: and I meant "too few goods" in relation only to the money supply. Note that, you can have an inflationary condition at a time when there are more goods on the market than ever there were before, provided that the supply of purchasing power has outstripped the increase in the supply of goods. It is not necessarily true to say that inflation has anything to do with shortages of goods, although there may be shortages of goods as an accompaniment.

In Canada today, so far as I know, we are producing goods on a greater scale than ever we did before; and our people as a whole are living better than ever they did before. Something here or there may be short, but there is no general scarcity of goods. Yet we have a tremendous inflation—because the supply of money has outstripped the supply of goods which has been brought to the market.

Hon. Mr. McINTYRE: Mr. Chairman, I do not think that theory applies to every manufactured commodity. Take for instance, cars. There is a greater supply of cars in Canada today than there ever were; the dealers' lots are full, and there is no short supply, yet the price has gone up considerably in the past year. It does not seem to be an amount of money chasing the goods, as far as cars go.

Hon. Mr. ASELTINE: There is a 25 per cent government tax on cars.

Hon. Mr. McINTYRE: I know.

The CHAIRMAN: Have you any comment on Senator McIntyre's question, Mr. Jackson?

Mr. JACKSON: I am sorry, I did not understand that it was a question, but if Senator McIntyre has a question I shall be glad to answer.

Hon. Mr. McINTYRE: I am asking why you say that inflation is caused by too much money chasing too few goods. That theory would not seem to apply to cars, where there is an abundant supply, and dealers' lots are full. Within the past year cars have risen \$200 and \$300, and there are today many cars which can't be sold. It does seem that the theory of too much money does not seem to apply there.

Mr. JACKSON: Well, sir, there may be a sufficiency of one article, a surplus of another, and not enough of a third. But in general, the statements are undoubtedly true that Canadians are living better today than they ever did before, and that there is a more plentiful supply of goods than there ever was. Yet in spite of those facts the cost of living has risen and is still rising.

Hon. Mr. EMMERSON: Mr. Chairman, do we understand then that it is a bad thing for the country to have too much money to spend? One would naturally think we would be in a good position if we had plenty of money in the country; but it appears we have too much.

Mr. JACKSON: I do not use words like "good" and "bad", sir, because they prejudice things. I am trying to obey the Chairman's behest and sort some facts out. All I have said is that the increase in the supply of money has very greatly outstripped the increase in the supply of goods; and that is what I meant when I said, we have an inflation.

May I give the committee some figures to illustrate that? I take the means of payment per head in Canada in all forms, dollars in our pockets and in the tills of business, bank deposits under our control, and bank deposits under the control of business, and the money which is being taken in and spent by provincial and municipal governments, which do not themselves create money.

Allowing for the increase in the population which occurred during that time, I find that the average Canadian—if there is such a man—had \$252 at his disposal in 1950 for every \$100 which he had at his disposal in 1939.

How was that reflected in the incomes of the Canadian people? I take the statistics of personal incomes in Canada during 1939 and 1950 (all the figures I now quote are drawn from the Dominion Bureau of Statistics, or occasionally from the Department of National Revenue). Then I put them on a per head basis, and I find that for every \$100 of income which the average Canadian had in 1939 he had \$252 in 1950. In other words, the rate of growth in the means of payment and the rate of growth in the total of personal incomes were exactly the same.

If we had increased our production of goods and services by 152 per cent per head at the same time as we increased the means of payment per head, and our personal incomes per head by 152 per cent, the average man would be able today to live two and a half times as well as he lived in 1939, and the cost of living need not have risen.

But what have we done? In 1950 we were producing per head 47 per cent more goods than in 1939. That was a tremendous achievement. That is the basis of my statement that Canadians are living better on an average today, than they ever did before. But 47 per cent is not 152 per cent.

May I go on a little further, sir, at the risk of being tedious?

Hon. Mr. HAIG: Certainly.

Mr. JACKSON: If one were merely doing simple arithmetic with a pencil and paper, and if one were asked to consider a situation in which the supply of money chasing goods had increased in the ratio of 100 to 252, and the supply of goods on offer had increased only in the ratio of 100 to 147, then, as a matter of arithmetic, what would one expect? I suggest, one would expect the cost of goods and services to be greater by something like 71½ per cent.

When we turn to the statistics of the cost of living published by the Dominion Bureau of Statistics, and look for the rise in the cost of living from 1939 to 1950, what is it that we find?

Here, I disregard the rental item. I talk about the cost of living index, ex rents—for the simple reason that under Canada's rental regulations so far, I believe our official statistics of rentals cannot be trusted to represent accurately the cost of housing which most of our folk, by purchase or otherwise, must bear.

When I turn to the retail cost of living, ex rents, published by the Dominion Bureau of Statistics, I find it has gone up from 1939 to 1950 by 72½ per cent, which is remarkably close to the 71½ per cent, which arithmetic would lead us to suppose it might have risen.

Here you have, then, an enormous amount of goods being sold at higher and higher prices, because the tremendous increase in the production of goods was outstripped by the much greater increase in the supply of the means of payment, and in the dollar incomes of the Canadian people: who naturally, possessing the money, turned around and spent it.

Hon. Mr. PATERSON: Might I ask if those figures are applicable all across Canada, or have you separated the urban from the rural? I mean, in regard to the price of wheat and standards of living in the West?

Mr. JACKSON: No, sir, I am talking now about totals for Canada, the total of the means of payment in all Canada, the total of personal incomes in all Canada, the volume of goods of all kinds produced everywhere in Canada, and the average cost of goods and services at retail in Canada. There is no local application in any statement which I have made, so far.

Hon. Mr. PATERSON: But the impact will be different in different parts of Canada?

Mr. JACKSON: The experience of different parts of the country and the experience of different individuals will be different. But when we are applying measurements, I think we are obliged to take the territory within which a given unit of money circulates which is subject to one monetary control. We must look for results in that area as a whole. We cannot intelligently criticize the monetary policy of Canada by picking on a few localities, and finding out what happened there.

The CHAIRMAN: Might one not assume in the light of what you have said that we have not got very much to worry about?

Mr. JACKSON: I think you could say that, to date, most people appear to have been beneficiaries of inflation; and that the terrible present cost of inflation has been concentrated on a relatively few shoulders. I say, most folk seem to have been beneficiaries. I do not say that, in fact, they have been.

That is the tragic thing about inflation. At least in its first stages, it exhilarates and seems to benefit the man in the street. In too many cases he mistakes what has happened to him, so far, for what is going to happen to the nation, ultimately.

The CHAIRMAN: Why I said that is that one frequently hears observations of this kind: "Well, things are all right. I never had more money in my pocket than I have got now. Why all this concern about it?" Somehow, to my way of thinking, there is a fallacy in that, and I should like to find out where that fallacy is.

Mr. JACKSON: Is not the fallacy to be found in this fact—that our incomes are not equally elastic?

The CHAIRMAN: That is, with individuals the incomes advance more rapidly with some than with others, and secondly those whose incomes advance are happy about it and those whose incomes do not advance are very distressed about it.

Mr. JACKSON: That is the thing in a nutshell, sir.

Hon. Mr. LAMBERT: Is it fair to assume that there is something in the strain of tempo? That is, you are travelling faster now than you were travelling before 1939, and the sensation of travelling faster tends to affect, I think, people of our generation more than it does the people of the younger generation. In other words, there is actually no difference relatively from what there was before 1939.

Mr. JACKSON: I do not want to haggle over words, but I am not quite certain what Senator Lambert means by the words "travelling faster".

Hon. Mr. LAMBERT: I am trying to make an illustration of the point the Chairman has just made: "Well, there is nothing wrong with the situation". Everybody feels they have more money than they had before, and the rate of production has greatly increased, the rate of incomes has increased, and there is more money to spend, and so on. Therefore, the tempo of living, as I say, has really increased and possibly that sensation of increase is not entirely unconscious on the part of some of the rest of us who remember the early thirties a little more acutely than some others. Is there anything in that from

the point of view of reality versus the actual recollection of the past? It seems to me it would take some adjustment to bring ourselves into a period or into an era of more intense and rapid change such as we have had since the close of the war. Can it continue? You must be exhausting capital wealth very rapidly as a result of this tempo, but outside of that one feature, is there any great mystery about it?

Mr. JACKSON: This is a somewhat complicated issue, sir.

Hon. Mr. LAMBERT: I did not make it very clear, I guess.

Mr. JACKSON: I merely suggest that we have several complexities here.

When we say that the average Canadian's income went up by 152 per cent between 1939 and 1950 we are simply summarizing the experience of 14,000,000 persons whose individual experiences varied greatly.

If all Canadian incomes had gone up by 152 per cent, while the cost of living went up by $72\frac{1}{2}$ per cent, then one could truthfully say that every Canadian would, in the present, at least, be somewhat better off as a result of his income having risen faster than the rise in the cost of living: and that if he did feel hot and bothered, perhaps that might merely be due to life's more rapid tempo.

Even under such conditions, we would have to make one severe qualification to this conclusion.

Your ordinary Canadian has a life insurance policy. He looks forward to the day when he will shuffle off this mortal coil and leave the proceeds of his insurance policy, plus what he may have saved, in order to support his dependents after he is gone. Now, the man who had a life insurance policy in 1939 of, shall we say, \$50,000—because he felt in 1939 that, invested well, \$50,000 would provide adequately for his family—finds today that \$50,000, when invested, yield an income which will only pay for about half the goods which, if the man had prudently died in 1939, would then have been available for his family.

In other words, the man we are supposing to be better off in the present, because his income has risen faster than the rise in the cost of living, will someday leave a widow. She will be much worse off in the future, as a result of this. In a sense the man's dependents will pay, after his departure, for the temporary prosperity which he, and they, perhaps, are enjoying at the present time.

That is an offset which must be borne in mind.

Moreover, when we say that on an average, incomes have gone up 152 per cent, that statement covers some folk whose incomes have gone up enormously.

The person whose income has not gone up at all has had his personal standard of living divided by just about two, during the last eleven years. In other words something like half of his standard of living has been taken away from him and given to the folk with more elastic incomes. The lot of the person who retired in 1939, with a pension or an annuity as his sole form of income, is something quite appalling to contemplate. But there are a certain number of people in this country, who have had exactly that experience.

A far larger number of people have had incomes which were not absolutely fixed, but which have risen much less rapidly, or somewhat less rapidly, than the cost of living has risen.

Now where you have a man whose income has risen less rapidly than the cost of living has risen, that man is paying now for the benefits which other people are enjoying in the present; and if he carries insurance, he is also going to pay in the future, as everybody else will, through the reduced purchasing power of income then.

Hon. Mr. REID: Professor Jackson, apropos of what you have just said, I wish to raise a point that I cannot understand clearly. Many Canadians, particularly in the trade unions, are stating all the time that the income they

are receiving today purchases only about half of what their income in 1939 did, and therefore they are demanding increased wages or salaries. Through the press and in every way possible they are pointing out how difficult it is to carry on, and they back up their statements by data presented by the research bureaus of trade unions to the effect that the purchasing power of the income received today is not as good as that of the income received in 1939.

Every time the Bureau of Statistics publishes a statement showing that the cost of living index has gone up a point or so there is a demand for increased income, and that demand is backed up by statements to show that the people are finding their present income insufficient to cope with the increased cost of living.

Mr. JACKSON: I think there are two kinds of statements covered by those comparisons which have just been mentioned.

First of all, there are enormous numbers of individuals who never look at a figure. Their wives grumble at the cost of living, at the amount of money it takes to buy a steak in 1951. They get a bit more for their housekeeping allowance, and their husbands get in the habit of saying that they are being ruined by the high cost of living. But these fellows are not making a statistical statement. All of us tend to grouch, without first looking at the statistics.

As to the statements made by unions, although I have seen a good many of them (of course, not all of the statements which the senator may have in mind) I do not know of any statement made by a responsible officer of a union, which denies that wage rates in Canada have risen, on an average, faster than the cost of living rose in Canada between 1939 and 1950.

I have seen a great many statements by unions backed up by figures, to the effect that the rise in the cost of living has outstripped the rise in average wage rates, or average wage rates in their industry. But if the figures are correctly quoted, I find always that some moment of time between 1939 and 1950 has been selected, as of which it may be said that from that moment to 1950 the cost of living did rise faster, than the wage rate under discussion.

Now clearly, wages and prices have not been marching in step all the time. In that period there have obviously been moments which one could select—perfectly truthfully, but not quite ingenuously—as of which one could say that, from one of these selected moments, the rise in the cost of living has been more rapid up to some other selected moment, than the rise in average wage rates.

Nevertheless, when asked the broad question: "What has happened to the standard of living of the average Canadian, pre-war and post-war?" if you take as post-war the present (since it is in the present that you legislate), there is no doubt that the average wage earner, and the enormous majority of wage earners when you look over them individually, have secured increases in wage rates, and earnings, substantially greater than the increase in the retail cost of living which has occurred between pre-war and post-war.

The CHAIRMAN: Mr. Jackson, from what you say would it be a fair inference that the inflation that has taken place has created very little or no difficulty for certain classes of our population but has created very severe difficulties for other classes of our population.

Mr. JACKSON: Yes. The incidence of it has been very unequal, and that is (to my mind) the main evil of inflation.

The CHAIRMAN: We are told and we know that certain fiscal measures have been taken to check, if possible, this inflationary trend. Let us assume that those measures were not taken, that we proceeded just as we have been doing: What would be the ultimate end of that state of affairs, in your judgment?

Mr. JACKSON: May I rephrase the question, to be sure that I have understood it, sir? You mean to say that if we went on in the next ten or twelve

years along the same course which we have been pursuing in the last ten or twelve years, in creating purchasing power so rapidly, what would be the end of that process?

The CHAIRMAN: Yes, I think that would state the point I had in mind.

Mr. JACKSON: I think one can say confidently now that if in the next ten or twelve years we were to create new means of payment, and to raise incomes, at the same rate that we have been doing recently, we would bring about a more rapid rise in the cost of living in the time ahead of us, than we have experienced in the last ten or twelve years.

The CHAIRMAN: It would accelerate?

Mr. JACKSON: It would accelerate, for this reason: that between 1939 and 1950 there was a natural brake on the movement of prices, which the creation of new money brought about. We did have a tremendous increase in production, per head of Canada's population, in those years—an increase of 47 per cent.

That 47 per cent increase was not due to the fact that each individual worker became 47 per cent more productive. Our production per worker, during those eleven years, probably did not increase by more than 27 per cent.

When war broke out in 1939, something like 20 per cent of Canadian workers were unemployed and thus, not producing at all. One of the things we did during the first half of World War II, by means of some necessary, skilfully conducted inflation at that time, was to bring back in active employment the 20 per cent of Canadian workers, who lacked work in 1939. We thus brought about a rapid increase in our national output.

Hon. Mr. EULER: May I ask a question? Is that in terms of volume or value?

Mr. JACKSON: In terms of physical volume. We got a 47 per cent increase in the physical volume of goods produced per head of Canada's population between 1939 and 1950 (which also means, of course, a 47 per cent increase in the physical volume of goods to be consumed, per head of Canada's population; income is only the consumption of what we produce).

We secured that 47 per cent increase over-all, partly because we got about a 20 per cent increase in our aggregate output—a sort of bonanza—by setting our unemployed at work again, partly because (it seems) we can increase our output per head, over a long period of time, by something like 2 per cent per annum.

Now when, in terms of the question which the Chairman put to me just now, we come to face the next ten or twelve years, we start at this moment with virtually nobody lacking work. In other words, our prospective increase in the physical volume of production, during the next ten or twelve years, is going to be brought about either by means of population increase, or because individuals find themselves able to produce more goods and services than ever they produced before. These are the sole means by which we can increase our output of goods.

I venture to suggest, therefore, that we should expect in the next ten or twelve years, not an increased production per head, in terms of physical volume, approximating 50 per cent—which is about what we managed to bring about, last time—but perhaps, something much less than this.

If we get a 27 per cent increase in volume during the next ten years, instead of a 47 per cent as we did between 1939 and 1950, that relatively modest achievement is likely to look quite reasonable.

Continuation at the same rate, as during the last ten or twelve years, in our output of additional dollars, would therefore (I believe) produce a runaway movement, an inflation involving more strains, and more dangers, than even the rapid inflation which we have just experienced.

The CHAIRMAN: Then how can the problem be controlled?

Hon. Mr. LAMBERT: Stop the war, I suppose.

Mr. JACKSON: Slow down the creation of new dollars, and the rapid increase of our individual cash incomes, or else accelerate the production of goods.

There has been a race, as it were, since 1939 between two growing magnitudes. There has been a race between the multiplication of dollars and the multiplication of goods. The multiplication of dollars has outstripped hopelessly the multiplication of goods; and this, although we Canadians then did a very good job of production.

We must either check this rapid increase of our incomes, which is a painful process—

Hon. Mr. EULER: Take it away by taxes, I suppose.

Mr. JACKSON: I used the word "stop" advisedly; there are several ways of stopping it. You have, as I say, either to stop the growth of dollar income, or to step up the growth, in the rate of production per worker.

Hon. Mr. HORNER: I would like to ask Professor Jackson if it might not be the only way out, and that eventually we will have greater and greater inflation?

I have been trying to get some professor of economics to explain to me why it is we are told that inflation will ruin the country. I think we have evidence that such is not the case. Take, for instance, Germany. Had that country not entered the war, it would appear that even after a dire inflation it was stronger than it had ever been before in history. Germany was built up, war materials were produced, roads were constructed, cities were rebuilt and slums were done away with. That, as I say, followed a dire inflation, so we are told. Some would say that as long as the people of a country are able to go back and produce and have their natural resources, they are all right; and that we have nothing to fear, in following inflation right to the end of the road.

Mr. JACKSON: That is a very good question, Senator. But I suggest that Berlin is in ruins, with not one brick upon another in the year 1951, largely because the mark was deflated in 1923 to the point where it became valueless. I venture to suggest that if the mark had not been destroyed then, there would probably have been no Fuehrer and very probably, there would have been no World War II.

Hon. Mr. HORNER: Well, Churchill claims that the war was the easiest one in history to have prevented, even with a Hitler. I fail to see where the devaluation of the mark had much to do with the war. Had Hitler been a different type of man, for instance, and had pursued peaceful ways, and had there been a great many "ifs" taken place, things would of course have been different. My understanding certainly is that inflation had nothing to do with the destruction of Germany eventually, unless we could assume that it was because of the actions of the other nations; but they were willing to go back and lend money even after being paid by repudiated dollars. Huge sums of money were given to the new set-up in Germany.

Mr. JACKSON: May I try to convince you, Senator?

Hon. Mr. HORNER: Certainly.

Mr. JACKSON: What the post-World-War-I inflationary period did to Germany was to destroy completely the middle class. Germany had a middle class, very similar to our own middle class. We speak of these things somewhat shamefacedly, for we belong to the middle class. But I point out that the middle class contributes very much more than its share of education, experience and the tradition of public service in any country where it exists. That is why the middle class, sometimes, is described as "the backbone of the country".

That truth only becomes obvious in times of stress. What inflation did in Germany, when it culminated in 1923, was to break the backbone of that

country by destroying the middle class. The destruction was complete. The survivors were left without financial, political or social standing and, most of all, without moral courage.

That is my reason for stating that the inflation of 1923 made Hitler possible. There were not enough courageous believers in freedom left to withstand Hitler and his brownshirts in Germany when the crisis came—as there have been, thank God, in Anglo-Saxondom, every time so far, when our little Hitlers have put their heads up.

Hitler gained power. Then (it seems to me) the process was fairly inevitable, which ended in the final destruction of Berlin.

Here, when it is suggested that if we were to have runaway inflation in the next ten years we should not mind it so much, because inflation has not done very much harm in the last ten years, I should like to point out that the damage in the last ten years was largely concentrated on a small section of society—mostly members of the middle class.

The members of the middle class have, in a large proportion, inelastic incomes. They therefore tend “to catch it”, when there comes an inflation.

I venture to say that, in Canada, the reason why we do not fear the program of totalitarianism, is because we still have a middle class strong enough to say, “This shall not happen”.

Hon. Mr. EULER: Will you define the limits of the middle class a little more definitely?

Mr. JACKSON: I fear, sir, it is a pretty difficult thing to define.

Hon. Mr. EULER: Could you do it, let us say, in terms of income?

Mr. JACKSON: I do not think it is a matter of income altogether. It is far more a matter of spiritual background. The members of the middle class, broadly speaking, are the professional persons, the salaried executives of large business, heads of the surviving small business undertakings. We should include, of course, a vast number, perhaps most Canadian farmers in the middle class.

Hon. Mr. EULER: How about workers in the factories? Would you include them?

Mr. JACKSON: Thank God, a very large proportion of our workers have in themselves the same tradition as our middle class. But in speaking of the middle class, I do generally think of them as distinguishable from wage earners in industrial society.

Hon. Mr. GOUIN: Mr. Jackson, I—

The CHAIRMAN: Were you through?

Mr. JACKSON: I was through, sir, because for the moment, I cannot better the somewhat gauche answer which I have just given to the senator.

Hon. Mr. GOUIN: I would like to know how much higher you would go than what we may call the petite bourgeoisie. The grande bourgeoisie, of course, and so on, would they be outside your definition?

Mr. JACKSON: I think if I had used the word “bourgeoisie” as Senator Gouin suggests that I might have done, I should perhaps have rendered unnecessary the last question.

Hon. Mr. GOUIN: But what has worried me is the percentage of people who have thus been affected, quite prejudicially—widows who receive fixed incomes, all those who are living on a fixed pension, lots of professional people—and I would even include myself, by the way, among those: Is there any study which has been made of the percentage of people of that kind, so that we could have an idea of the number of those persons who are thus affected and are even in danger of disappearing?

Mr. JACKSON: I don't know where we would find that, unless the new Census is collecting such information—how many people are living on fixed incomes at the present time.

But it would be most helpful if we could get such knowledge.

Hon. Mr. GOUIN: Just to understand precisely what would be the effect of inflation in the next five or ten years. We would have, so to speak, a graphic picture of what is going to take place if we could have an idea whether it is one million people or half a million, or whatever it may be.

Mr. JACKSON: Before Senator Gouin took his seat here—if I may recall something already said, sir—I spoke of the manner in which inflation reduces the purchasing power of the survivors, of bread-winners who die leaving insurance policies.

Even today, the man who feels in his own person that he benefits in the present from inflation, because his personal income has risen faster than his cost of living, of late years, is going to leave a depreciated life insurance policy on which his dependents will find it much harder to live, than they would have found it had the inflation not occurred.

That broadens the list of the victims of inflation very considerably. But it puts off a lot of the suffering, into the future.

The CHAIRMAN: In view of your experience as a student of these very important matters, do you think there is a danger of this inflation still continuing in this country?

Mr. JACKSON: I believe that it quite easily could.

The CHAIRMAN: That is, that this cost of living index may continue to rise in the light of the fact that money supplies seem to be buoyant and we cannot, as you stated a moment ago, without further population expand our production of goods and services sufficiently to meet it.

Mr. JACKSON: We must not assume, sir, that the supply of money is going to expand in the next ten years the way it did in the last ten years.

The CHAIRMAN: We don't have to assume that?

Mr. JACKSON: In order to answer a question which was put to me a little time ago, I said "Let us suppose that in the next ten or twelve years, we repeat this increase in the supply of money; and then let us enquire what we may be capable of, in augmenting the supply of goods"; and I made the point that a continuation of the growth of the money supply at the same rate in the next ten or twelve years, as in the last ten or twelve years, would be dangerous for this reason: because we pretty certainly cannot again increase our volume of production per head at the same rate, in Canada. We cannot, because there are no longer unemployed workers whom we might put to work, to accelerate the production of goods. But if, instead of permitting this dangerous increase in our money supply, we Canadians possess the resolution to say, "We are not going any longer to permit the supply of money to increase on this scale"—and if having fathered the necessary courage, we then show the necessary public spirit, and self-control, then, I do believe, we can stop it.

Hon. Mr. EULER: When there is a danger of war it is necessary to employ many people in the preparation for war, but if this threat did not exist then people could be relieved from wasteful production, if I can call it that, and their services could go into the production of useful goods. Would that not be a remedy?

Mr. JACKSON: I think so, yes.

Hon. Mr. EULER: It would at least prevent further inflation.

Hon. Mr. HOWDEN: Professor Jackson, would you say that inflation is not influenced by the demands of industrialists to take all that the traffic will bear for their commodities?

Mr. JACKSON: I think we shall not get very far by starting a witch hunt. You can make a case against this man or that man or the other man, for having raised the price of his own labour, or for having raised the price of the goods which he brings to market. That (I say with respect) does not look like a very constructive approach to the question.

Hon. Mr. HOWDEN: My thought is that certain industrialists will from time to time produce a commodity which is greatly desired by people, and those who have the money will buy it. Well, the temptation, shall I say, would be for those industrialists to charge all that the traffic would bear, whether the commodity was worth that or not. Certainly it would, I should think, have some influence on inflation.

Mr. JACKSON: Now, sir, if that were true the evidence of it would be visible in an increase in the margin of profit of the capitalist. May I say that?

Hon. Mr. HOWDEN: Yes.

Mr. JACKSON: Such evidence as we possess definitely shows that the margin of profit of the capitalist has decreased.

Hon. Mr. HOWDEN: Is that so?

Hon. Mr. HAIG: We are now taking a little better than 50 per cent of the profits of corporations making over \$10,000 a year. This is being done under our present system of taxation. When the other 50 per cent is divided amongst the shareholders, another slice is taken away by the income tax paid by these people. Would there be much inducement, then, for a man to try to make an exorbitant profit under these conditions? Would there be much inducement for him to run his machines and his business hard? Would not a great deal of it be taken away from him by taxation?

Mr. JACKSON: There is certainly less inducement than there was.

Hon. Mr. PATERSON: May I ask the witness two questions? Would you consider the huge government expenditure we are discussing here to be a good thing for the people of Canada generally? Secondly, would you consider the way to properly withdraw the dangerous surplus of cash is through taxation?

Mr. JACKSON: May I go back to a remark I made an hour ago when I said that I am trying to keep away from the use of the words "good" and "bad" here; and instead, simply to talk about causes and consequences and whether we regard a particular consequence as desirable, or not.

I do not see how you can answer the question: "Is a very large expenditure by a government a good thing?" when you do not know what the government is doing with the money that it spends, or how the government gets the money which it spends.

I should like, however, to put this little fact on record, if I may: That while we rightly get exercised from time to time, about the large sums which governments do spend, during the twelve months before the Korean business started the governments of Canada taken together, federal, provincial and municipal, were actually using just about the same proportion of our gross national product as they were using pre-war.

The CHAIRMAN: That is, pre-Korean war?

Mr. JACKSON: No pre-World War II. I have a table here, which expresses the total expenditure of all governments as a per cent of the gross national product in each year from 1939 to 1949. I bring you these figures, by chance. I worked them out months ago, to satisfy my curiosity in some other connection.

Hon. Mr. HAIG: Would you file a copy of that with the Chairman?

Mr. JACKSON: I will, sir.

(See appendix for table.)

Mr. JACKSON: In 1939 all governments in Canada purchased goods and services equal to 12.9 per cent of the gross national product of goods and services.

In wartime, necessarily, the government had to acquire a very much larger proportion of the gross national product in order to wage and win the war, and the figure went up to a maximum of 42.2 per cent in 1944, at the climax of World War II. Then it decreased, at first fast, then more slowly.

But in 1949 it was back again to the 1939 percentage. In 1949 all our governments in Canada, taken together, were purchasing goods and services equal to 12.9 per cent of the gross national product of goods and services in Canada. In 1950 the figure was up very lightly: The Korean war for one thing had altered the situation. But, by 1949, we had come back again to the 1939 proportion.

To form an opinion on the question whether, both in 1939 and 1949, the governments were spending too much money, calls for one's private judgment. Actually, however, the governments did not during 1949 spend more, in relation to Canada's much increased production, than they had been spending in 1939.

Hon. Mr. HORNER: I should like to ask Professor Jackson about deflation. It is my understanding that any man who has a mortgage can pay it off much more readily during a period of inflation. If a period of deflation comes about it is difficult for him to pay off the mortgage. It would be much more difficult for all governments, would it not, to carry the debt burden if we had a deflationary period. Is that not so?

Mr. JACKSON: May I qualify that slightly by stating that it would be less easy, sir.

If I own a mortgage and you owe the money on the mortgage, then during an inflation you pay the mortgage off with an ease which pleases you very much and I, the mortgage owner, am caught. But in a period of deflation you pay off the mortgage with difficulty—that is, are caught; while I, the mortgage owner, benefit.

But I do not want to assume that the man who owes money on a mortgage is necessarily a more deserving character than the man who lent him the money in the first place.

Hon. Mr. McLEAN: Can you state how much the total national production has risen since 1939?

Mr. JACKSON: Do you mean in current dollars or in physical volume?

Hon. Mr. McLEAN: Well, it would be interesting to know what the rise has been in dollars.

Mr. JACKSON: It is on the record. The gross national product in dollars rose from \$5,598 millions in 1939 to \$16,382 millions in 1949 and to \$17,791 millions in 1950. But of course the dollars in 1949 and 1950 were not as heavy dollars, as those of 1939.

Hon. Mr. EULER: What would be the correct proportion, figured in terms of the 1939 dollar?

Mr. JACKSON: If you were to divide the 1950 figure by 9 and multiply by 5 you would not be far out, senator, though you would not be quite accurate. On the basis of 1939 dollars we must have had about \$10 billions of gross national product in 1950. The correct figure can quite easily be got from the Dominion Bureau of Statistics.

Hon. Mr. EULER: I think that was given to us the other day; we were told it was about 80 or 82 per cent, if I recall correctly.

Hon. Mr. LAMBERT: That figure which you have used in comparing 1939 with 1949, 12·9 per cent, represents of course a very large increase in totals?

Mr. JACKSON: Oh, yes.

Hon. Mr. LAMBERT: Would it be your opinion that with a decline in the gross national income that percentage of 12·9 per cent would increase or decrease? In other words, is it not almost certain that a decline in the gross national production income would proceed a great deal more rapidly than a decline in the amount of government spending?

Mr. JACKSON: In so far as a lot of government expenditures are to meet fixed charges, that would inevitably happen. If the gross national product were to decline, then the percentage of the gross national product, which all of our governments taken together would spend on goods and services, would almost inevitably rise.

Hon. Mr. LAMBERT: Surely it is reasonable to assume that a very large percentage of this total of \$16 billion expenditures in 1949—and I think it has risen to nearly \$18 billion or \$19 billion now—is devoted to what is called defence production, to military preparedness. Is it not fair to assume that if there is a cessation of hostilities and a declaration of an international truce in armed warfare, that the gross national production income in Canada will decline very considerably? To maintain the level it would be necessary to replace the defence production by production for purposes of trade, to have a wider dissemination of our goods for purposes of trade. I do not want to go too far into that, but in relation to trade there is a world situation today which would make it very difficult for this country to approach equalization of the present production, I think, if defence production were greatly decreased. I think we are bound to face a heavy proportionate figure of government expenditures in relation to national income, greater than it is now, if anything occurs in the near future to remove the necessity of defence expenditures. I wonder if you agree or disagree with that?

Hon. Mr. HAIG: Before Professor Jackson answers, I would suggest that the defence expenditures in 1949 were not very heavy.

Mr. JACKSON: I do not know how much money is being spent on defence now. Obviously it is greater than the amount that was spent before the Korean trouble started.

Hon. Mr. LAMBERT: It is around \$1 billion.

Mr. JACKSON: I cannot speak of this with knowledge of the facts. Senator Lambert has suggested that if we no longer had to devote so much of our energies to defence, our production might slacken off and the national income be reduced. I should like to suggest to him that the answer to that question will depend on how wisely we can manage our affairs.

If I have understood the policy announced by the government, very largely through the budget speech this year, they are now trying to reduce the rate of investment in this country, which has been very high during the last two years, to some more moderate proportion, in order to release a certain number of workers and a certain amount of our machinery and enable them to produce war products.

Suppose the skies were to clear, and the necessity of diverting our energies to war production were to terminate, the government's desire would then presumably be to encourage us to get back to something not unlike the pre-Korean rate of investment. If that rate could be maintained, and if we could handle our affairs wisely enough, conceivably the volume of production, and the national income, need not be diminished.

Hon. Mr. EULER: Useful production, if I may use that term, ought to be advanced, I should think, if our energies were no longer wasted on war production.

Mr. JACKSON: Senator Lambert's idea is that the resources released from today's tasks, of production for military purposes, might not be absorbed (at least, not forthwith) in the production of useful things.

Hon. Mr. EULER: But if they were absorbed, that would tend to decrease inflation, would it not?

Mr. JACKSON: If our resources which are now being used for re-armament were unemployed, presumably production would be reduced.

Hon. Mr. EULER: That would not likely happen, would it? We are now diverting our energies from what I call useful production to production for military purposes.

Wouldn't they be likely to go back to useful production, if we were relieved of the necessity of producing military equipment?

Mr. JACKSON: I would suggest to you that it would depend on how wisely we managed our affairs. In other words, unless we take appropriate steps beforehand, things do not necessarily flow where we want them to be. But we can imagine ourselves handling the business effectively.

Hon. Mr. LAMBERT: Is it not a historical fact that the stimulus of war production brings about a higher peak in production than does a peacetime period or a post-war period? In other words, war is an artificial stimulus to produce, and it is hard in any five or ten year period following a war to equal those production activities to serve peaceful purposes. It would be difficult for one to assume that if the need for defence production came to an end this fall that we could equal for peaceful production the activities of the past year. For one reason, we would not have control of the international situation to facilitate world trade. We today are isolationists and protectionists, as the whole world is, in a national group, for the reason that we are at war, or we are preparing for war, and therefore must husband our national resources and refrain from providing facilities for international trade which, to my way of thinking, is the only possible means by which our peacetime production could equal our wartime activities.

Mr. JACKSON: After every war, before World War II (so far as we know) there has been a falling off of production. The remarkable thing about World War II, so far as we can judge, is that when that war ended, we did not have a slump.

Hon. Mr. LAMBERT: You are now talking about World War II?

Mr. JACKSON: Yes. After that war we had no slump such as has followed every major war that we know anything about. That is one of the most remarkable things in our recent experience. Perhaps it should be said that we had no slump; but we did have a post-war inflation instead.

The CHAIRMAN: May I ask a question following up Senator Lambert's point, which I think is a very important one? I gather from what you have said, Mr. Jackson, that if the dove of peace should settle on the world now, by wise policies we could move from a period of large defence production to a state of civilian production which would maintain our gross national product. Would that not be dependent on our ability to find markets abroad for our product in this country?

Mr. JACKSON: Yes, I believe it would.

The CHAIRMAN: And if conditions in those countries to which we normally export our goods were difficult, then these countries might endeavour to protect their own economy by excluding our goods. What would be the effect on Canada of such a move?

Mr. JACKSON: We have seen a great deal of that within the past five years

Hon. Mr. McLEAN: We have that right now, from the sterling area.

The CHAIRMAN: I should like Mr. Jackson to answer the question.

Mr. JACKSON: We Canadians are becoming somewhat less dependent on external markets than we were, but we still are very much dependent on them. We have had the great good fortune, during the past few years, to be compensated somewhat for being deliberately shut out of impoverished markets overseas, by being able to sell in the United States much more of our produce than we had ever expected to sell. Furthermore, together with our U.S. cousins, we have taken the precaution of lending, or giving away so much to neighbours impoverished by recent world events, that they still have been able, despite the conditions that they have been labouring under, to take a substantial volume of our exports.

Hon. Mr. HORNER: And an increase in our own population would tend to lessen our need for world markets?

Mr. JACKSON: Yes, sir.

The CHAIRMAN: I have a few further questions, but I think Senator McLean has something to say.

Hon. Mr. HORNER: Might I just refer for a moment to the answer you gave, Mr. Jackson, when I spoke of paying back mortgages and debts. I was not thinking of who was deserving, as between the mortgagor and the mortgagee; I had in mind the impossibility of repayment of debts created in inflationary periods, should we suffer a deflationary period.

Mr. JACKSON: If deflation is too drastic, the repayment of debts becomes impossible. We must not assume that repayment of them would become impossible, under any conditions short of a very drastic deflation.

I recognize, of course, that both inflation and deflation are evils. When I say that we need now to stop this very rapid creation of new means of payment, which is the source of our recent inflation, there is of course no thought in my mind, of advocating a deflation instead.

We can see now, looking back, that we have been living in a continuous inflation during the past sixteen or seventeen years. This inflation has gone on sometimes relatively fast; at other times, relatively slowly. The reasons for it have changed from time to time. Some of them have been good, sound reasons; others have been far from sound.

But outstanding is the fact that ever since, say, 1934, we have been moving in the same direction continuously.

We now face a grim necessity—that of putting on the brakes. We know that it is a very difficult and dangerous thing to do.

Clumsy manipulation of the brakes will, it is true, check inflation; but clumsiness can easily start a deflation instead. If we now can check, and halt inflation, but not bring about a deflation instead, we shall all of us deserve good marks—that is, not only the government of this Dominion and our central bank, but also those modest characters Jill Canuck and Jack Canuck, in their activities as consumers and producers.

Hon. Mr. EULER: We would then have the normal. If you stopped and left things at that point, instead of having deflation, what we now consider an inflationary period would become the normal. We will never get back to the old prices.

Mr. JACKSON: We will never go back anyway.

The CHAIRMAN: This process of stopping is a rather difficult one, you think?

Mr. JACKSON: The process of stopping without putting your engine in reverse is an enormously difficult one.

The CHAIRMAN: It is something like a man sliding down a hill, who says that he will stop when he gets to a certain point, he finds the stopping rather difficult.

Mr. JACKSON: Yes.

The CHAIRMAN: There was one question I was going to ask.

Hon. Mr. HAIG: Senator McLean, I think, wanted to ask some questions.

Hon. Mr. McLEAN: Professor Jackson, along that line; if we did get into a war it would be much more difficult to stop an issue of money, would it not?

Mr. JACKSON: Yes.

Hon. Mr. McLEAN: In all history I do not think there has been any war which was lost for lack of money to provide materials, goods and men. These schemes which have to do with inflation are quite well known. We have higher taxation, we induce people to save, which means that the money is withheld from purchasing, or purchasing power is withheld from civilian goods in order to provide money for investment in government bonds. Another scheme which is sometimes put forward as a curb on inflation is to raise interest rates. Viewing it from all angles, is that a worthwhile curb on inflation?

Mr. JACKSON: I am on record, Senator, as believing that interest rates ought to be allowed, so far as possible, to find their own level.

Hon. Mr. McLEAN: Well, we know that government action or the action of the Bank of Canada has a great effect on interest rates.

Mr. JACKSON: I quite agree.

Hon. Mr. McLEAN: I think the government sometimes takes a major part in the regulation of our monetary system. It is going to be pretty difficult to permit interest rates to find their own level when money must be provided for purchases of defence or war.

Mr. JACKSON: I do believe that for the past fifteen years, alike in Britain, the States and Canada, bond interest rates have been held at an artificially low level. Therefore, when I say they should now be permitted to find their own level, I believe that if they were to be given such freedom, they would reach and remain at a level higher than that at which they have been. But I do not believe in fixing interest rates at a high level—any more than I believe in fixing them at a low level. So far as in me lies, I would restore free play to the forces in the market.

Hon. Mr. McLEAN: Of course, low interest as a government policy was started in the United States deliberately under the Roosevelt regime, when it seemed to be absolutely necessary. I think it was one of the constructive acts of the Roosevelt administration to bring the country out of depression. Whether it should be ended or continued is another question. Is not the raising of the interest rate simply the taking of money from one pocket and putting it into another? You were speaking of the middle class. We know that the middle class are borrowers. Raising the interest rates on mortgages, it seems to me, is inflationary, or it takes money from the tenant and the landlord gets it. How higher interest rates are going to help to curb inflation I would like to find out. I have been unable to arrive at that conclusion in the studies that I have made.

Mr. JACKSON: During all these years in which we have been talking of a Planned Economy, with a capital P and capital E (years which we now can see, looking back on them, were all of them long and most of them dreary) we have been talking about fixing things the way we think they should be fixed. Wiser men than ourselves thought in earlier times that all prices (including the rate of interest, which is the price of loanable funds) should be left to find their own level, and that everyone is likely to fare best when prices and interest rates are allowed to find their own level.

We know that in the past, whenever there was a boom, interest rates naturally rose; and whenever there was a depression, interest rates naturally fell. Cheap money, during depressions, encouraged people to borrow for constructive purposes, who might not otherwise have done so. Cheap money thus was an automatic corrective of the depression conditions.

What happened in the 'thirties? In the severest depression ever known, the Roosevelt government applied, among a lot of assorted remedies, that of cheap money. Their policy thus reproduced deliberately what was already the classic pattern of cheap money during depressions; a pattern which we find being repeated over and over again as far back in time as we can trace the course of business.

But something quite novel was added to this, in the 'thirties. A lot of learned people conceived the notion that we should make a permanent objective of cheap money, that under any conditions of business, it was thoroughly desirable. Since then, in most if not all western countries, we have been clinging to cheap money. We clung during hard times and we clung, too, during periods of prosperity.

Hon. Mr. McLEAN: Well, governments have felt so far that the raising of interest rates reflects back on the taxpayers. Where the interest rate goes up and borrowing is necessary at higher rates, it seems that we have to pay more taxes to meet those higher interest rates. It is a part of a vicious circle. Like the wheel, the ship and the monetary system: Money is part of our system, and if we are going to have higher rates, the cost of living is going to be put up.

Mr. JACKSON: I am sorry, I cannot regard the cost of money as a tax any more than I can regard wages as a tax.

Hon. Mr. McLEAN: It is a cost.

Mr. JACKSON: Certainly these things are costs. When you multiply dollars faster than you can multiply goods you may depend on getting your costs out of line—and getting yourself into some extraordinarily difficult situations from time to time.

Hon. Mr. BURCHILL: The figures you gave us regarding the percentage of government expenditures in proportion to the gross national production of 12·9 per cent, that would be just previous to the expenses of the Korean war?

Mr. JACKSON: In 1950 the figure was 13·1 per cent.

Hon. Mr. BURCHILL: Well, since that time I think that possibly the expenditures have increased. I mean, government expenditures. Proportionately they are increasing, I would think. Perhaps not. But what I was going to say was that in looking for the cures or the remedies for inflation—I know international trade has a lot to do with it, but in the general overall picture, when these goods which are today being produced for war purposes are put back into civilian use, consumer use, won't that have a very direct effect of decreasing the inflation?

Mr. JACKSON: If you persist in increasing the means of payment, and the total of the personal incomes of Canadians, faster than you can increase the production of the goods and services for sale, then you cannot escape inflation. It is a straightforward question of ratios.

I believe you can increase the supply of goods over a long period, by something like 2 per cent per head per annum—by lengthening work hours, maybe by more than that. You can do something by securing, somehow, more workers. If there is a fast rate of population increase, you can do better than if there is a slow rate of population increase. But in any case, the number of workers employed and the production per head of which workers are capable, will regulate and limit the rate of increase in the physical volume of national income.

If you never let the means of payment increase faster than the rate by which the physical volume of the national income grows, you probably never would have an inflation.

Hon. Mr. EULER: What can be done about that?

Mr. JACKSON: Either accelerate the production of goods or decelerate the production of dollars.

Hon. Mr. EULER: Our defence production has resulted in an accelerated production of goods but if, as you say, spending rises at the same time in proportion to this production of goods, then there is no cure there. What can be done about spending keeping pace to production?

Mr. JACKSON: If people have dollars in their pockets, they will spend them. If our incomes rise, we shall at least try to buy more. Thus (if the volume of goods is not increased, in proportion to the growth in means of payment) we shall compete against one another for existing supplies of goods, and force up the prices of those goods.

Therefore, to be safe you must check the growth in the means of payment. Even at the present late stage, it can be done.

Hon. Mr. EULER: That is what I want to get at. How? By higher taxation?

The CHAIRMAN: It is rather bitter medicine.

Mr. JACKSON: Whatever you do, the taste of it is bitter medicine. Higher taxation will siphon off dollars that are in existence already. That is one method of heading off inflation. Another method is to control (that is, to restrict) the creation of credit. After all, our dollars are created by the credit system.

Hon. Mr. EULER: Some of that is being done now.

Mr. JACKSON: Yes, something is being done about that now. To stop the further creation of credit would be much the same as to stop the growth of our money supply.

If we slow down the rate at which credit is being created, we put on the brake, so to speak.

If that brake is judged to be not effective enough, then we can by means of appropriate taxes mop up superfluous income.

This will help us—always provided that the government does not spend the money. But the dollar which is taken out of my pocket, and is then spent by the government, does just as much to raise the cost of living when the government spends it, as if I spent it myself.

Hon. Mr. EULER: Would it have the same effect if the government were to spend that money to pay off the national debt rather than on this service or on that service?

Mr. JACKSON: If, taking a dollar from me, they put it into the pocket of the man whose bond is paid off, then the question is, what is the former bondholder going to do with that dollar?

Hon. Mr. REID: I should like to ask a question about the relationship between personal income and gross national product. You gave us the figures of 100 in 1939 to 252 in 1950 for income. Roughly, the figures given for gross national product were \$5½ billion for 1939 as against \$17½ billion in 1950. The relationship is not the same there. You have the comparison of 100 to 252 in the matter of personal income, but when you come to gross national product you have \$5½ billion as compared with \$17½ billion. The ratio is not the same at all. You have over three times the national production between the years 1939 and 1950, and yet you give us the income as 252 as compared with 100.

Mr. JACKSON: If I may go back, sir, the figure of 252 against 100 was based on the growth of personal income per head. But when I quoted the gross national product figure I quoted a total over-all figure. We must bear in mind

that the gross national product of 1950 was produced by many more Canadian workers, than the gross national product of 1939.

I regret that I do not carry the gross national product figures on a per head basis, but if I were to quote them on a per head basis they would be not very far from the quoted rate of increase, in the total of personal incomes per head.

Hon. Mr. REID: You gave us a figure for goods as 100 in 1939 as compared with 252, and you showed that the increase in incomes was in proportion to the personal income spent.

Mr. JACKSON: No, Senator. The means of payment went up from 100 to 252 per head. The total of personal incomes went up from 100 to 252 per head, but the goods coming on the market went up only from 100 to 147. It is this regrettable discrepancy between the 147 and the 252, which is expressed and made visible by the rise in the cost of living. I think if you look at the record, you can see there is no confusion there.

Hon. Mr. LAMBERT: I want to ask one question about money circulation. You have referred several times to the amount of money in circulation being much larger, and therefore people have more money to spend and so on. The powers that control money circulation, I suppose, are the government agents?

Mr. JACKSON: Well, the banking system creates money by making loans.

Hon. Mr. LAMBERT: Very good, but the point I am trying to get at is that production is essential before you increase your money supply.

Mr. JACKSON: I do not quite know what is meant by the word essential. Actually, quite often we have increased our money supply before we have increased our production. Sometimes (for instance, in the middle of a depression) it might be quite a good thing to tackle the money supply first.

Hon. Mr. LAMBERT: That is exactly what I am coming to. If there is a let-down in the economic activities in the country by way of production you have a depression. By what gauge would you determine the amount of money supply?

Mr. JACKSON: You mean the needed money supply?

Hon. Mr. LAMBERT: Yes, in other words, what is the ratio between money supply and production or need or whatever you like to call it? What is the guiding principle there? My own thinking is that in the monetary factors in our economy we are putting the cart before the horse, that what really counts is production, and that the circulation of money is a servant which should facilitate production. It seems to me that this has a lot to do with inflation, because one thing is out of joint with the other. In other words, there may be too much money in comparison with the actual production. When there is not enough money in comparison with production we of course get deflation, as we did in the early 'thirties. To my mind, when contemplating the effect of government spending on inflation as a whole it is important to identify that one factor of money supply, which our central bank is supposed to be the main instrument in controlling.

Mr. JACKSON: If our concern is with government spending, and its influence on inflation, I suggest that in so far as government spending does produce inflation, it is bound to do this either by putting more dollars (or fewer dollars) in circulation; or else, by bringing about an increase of production (or alternatively, by preventing an increase in the volume of production).

The government's financial policy may provoke inflation by bringing about an increase in the means of payment. Or on the side of production, I suppose, if the government withdraws from the production of goods and services a lot of persons, who might otherwise have been producing goods and services—as, for instance, must happen when you recruit an army to fight a war—then in taking people away from production you check the growth in the volume of

goods produced; and that has inflationary results. These two things interact all the time—what is being done about the means of payment, and what is being done at the same time about the production of goods and services?

Hon. Mr. LAMBERT: One stimulates the other?

Mr. JACKSON: No. Here are two horses uneasily running in harness. Your purpose is (or should be) to keep them abreast of one another. If the means-of-payment horse gets ahead of the production-of-goods-and-services horse, then you have an inflation, with some unhappy consequences. If the means-of-payment horse falls behind the production-of-goods-and-services horse, then you have a deflation—and the results of that may be still worse.

Hon. Mr. HORNER: The horse that gets behind does the most of the pulling.

The CHAIRMAN: I should like to ask Mr. Jackson to comment on this. So far as information is available we know that the free world—or, to use the broad designation, the western world—will spend in the next twelve months probably \$60 billion under the head of defence production. That comes into competition with practically everything that civilians require. What in your judgment will be the effect of that expenditure on the trend of the prices of goods?

Mr. JACKSON: It is likely to raise the prices of goods, I should think.

Let me take these points in order: First of all, the States alone will spend more than \$60 billion on rearmament during the next twelve months; so that expenditure on rearmament by all the free countries is likely to be considerably larger than that sum. But this does not affect the purpose of the question.

If the free countries finance rearmament and the Korean war on a completely pay-as-you-go basis—that is, if they take every dollar which they spend on rearmament from the taxpayer—then the spending of taxpayers will be lessened by the same amount as the spending of their governments is increased by the rearmament. In other words, there would no net increase in spending.

The CHAIRMAN: If I may interrupt, you are assuming that savings would practically disappear? Let me make my point clear. If the government pays for a war as it goes, it does that by taking from people's pockets the means to pay for the war. Ordinarily people have left after their living expenses certain savings, but they might sacrifice their savings in order to maintain their living standard, and what would happen then?

Mr. JACKSON: If my taxes are raised, as they have been this year, I have the choice of living as well as before and saving less, or of saving as much as before and reducing my living standards. As to this, each taxpayer makes his own decision. We cannot assume that all the taxes levied by the free governments to pay for rearmament will be met by curtailment of savings, any more than we can assume all of them will be met by curtailment of personal consumption. They will be paid, in part as a result of reduced consumption, and in part as a result of reduced savings.

When we reflect that, if it is invested, the money which we "save" is ultimately spent on capital goods, I think perhaps it is best if we talk of all income as being spent on something.

Hon. Mr. LAMBERT: Are you not overlooking one thing? If under the stimulus of military preparedness there is a great increase in defence production, will there not be a smaller proportion of consumer goods?

Mr. JACKSON: If consumers have less money to spend, then ultimately fewer consumer goods are going to be made; and if at the same time, the government spends more on munitions, then more munitions will be made. That is, the character of the production will be changed.

As to what will happen to the total amount of production, taking consumer goods and munitions together, that will depend on a great many different considerations.

At the beginning of World War II we could increase production fast, because there were some 400,000 or 500,000 unemployed who could be put to work. In those circumstances we were able to produce a lot of munitions and still many Canadians were able to live better than before. But it is just about true that everyone has a job today.

The same people cannot produce both munitions and consumer goods at the same time. If you merely divert workers from the production of one class of goods to the production of another class, you do not increase production. Therefore the rearmament program involves for you less consumer goods to play with than before. That is, unless your program of rearmament calls for so small a diversion of resources and productive labour, that your annual increment of production, due to technological progress and increase in the numbers of your working force, is able to take care of it.

In Canada, this annual increment of production is in the neighbourhood of $3\frac{1}{2}$ per cent. If our war and rearmament efforts are limited to no more than $3\frac{1}{2}$ per cent of our energies, you may say that we probably can carry them on, without reducing our present average standard of living in Canada. But the converse is obvious: When once that percentage is overstepped, if we want more guns, we must eat less butter.

HON. MR. BARBOUR: Mr. Jackson, if we pay as we go through the war years and do not increase the debt, will we have any inflation?

MR. JACKSON: Even then, sir, we might. Here I come to the second part of my reply to Senator Crerar, which I still have to get off my chest.

Suppose that our government decides to finance this effort on a pay-as-you-go basis, and that it does so: This diverts, without increasing, the volume of our spending. Such financing need not increase the means of payment. But in so far as our armed forces, by their recruiting efforts, take out of industry people who could otherwise be producing goods, one must conclude that the rearmament process, as a whole, will give us a less volume of production than there would have been, if those recruited could have been left at their civilian tasks.

Strictly speaking, we should introduce one or two more qualifications in order to make the statement realistic. Though the clock has just struck one, I should like to bring in one such qualification, if I may.

Senator Lambert made the categorical statement that this war effort of ours will increase production. It is true that the present stage in our argument leads us to suppose otherwise. But if, for example, all of us work longer hours, as our own contribution to the national effort, we can offset this loss of manpower due to recruiting, indeed, more than offset it.

Of course, we may not produce as much in an additional hour of labour as we would in an average regular hour. But there is no doubt that by this means we could increase somewhat our volume of production, over and above what it would have been without lengthening our hours.

Again, if we could rapidly disseminate skills which are not in sufficient supply, we could make certain individuals more productive than at present, by giving them those additional skills.

There are such means of accelerating the rate of production increase, when you must make a great national effort, even though that effort starts under conditions of full employment.

To sum up at this point: When we note the diversion of men and women from industry which recruiting involves; and as an offset against this, the

various means which there are of increasing output; we cannot be quite sure that we would not have inflation, even if we did entirely finance this enterprise on a pay-as-you-go basis.

Hon. Mr. LAMBERT: You must qualify the term "pay-as-you-go", must you not? During the last war we were financing at about 55 cents on the dollar, leaving to pile up as debts the other 45 cents.

Mr. JACKSON: But when I talk to you this morning about a pay-as-you-go basis, looking into the future, I mean a basis which involves no increase in government debt. To me, that is the sole meaning of "pay-as-you-go".

Hon. Mr. LAMBERT: That must mean that you have no deficit financing at all.

Mr. JACKSON: No deficit financing. But that is going to demand from all of us a strength of resolve and readiness to sacrifice ourselves; an amount of that old-fashioned virtue which we call patriotism; maybe greater than, in the circumstances, we can summon. It is going to test severely the character of the people of Canada.

Hon. Mr. LAMBERT: World War II did result in adding to our indebtedness and the cost of maintaining it, and it is certainly doing the same thing now in connection with our preparedness program.

The CHAIRMAN: I should like to find whether it is the wish of the committee to have Mr. Jackson back, or are we through with him?

Hon. Mr. LAMBERT: Personally, I think one must not be selfish about these things. I should like to have Mr. Jackson here all afternoon, on a number of questions, but whether or not it is the desire of the committee to focus attention on certain relations between government spending and the subject of inflation, I do not know. I am not going to suggest, therefore, that we keep Mr. Jackson any longer, because I think he has thrown a good deal of light on this subject.

The CHAIRMAN: How many members of the committee concur in the suggestion that we meet this afternoon after the Senate rises to get more information from Mr. Jackson?

Hon. Mr. HAIG: If you are going to do that, Mr. Chairman, you must limit the number of questions that each one of us may ask. There must be some limit to them. I know that some members have not asked many questions this morning, while others have asked a great many.

The CHAIRMAN: It is a difficult matter for the chairman to allocate the questions. We must discipline ourselves in that respect.

Hon. Mr. HAIG: I move that we adjourn.

The committee adjourned at 1.10 p.m. until the Senate rises this afternoon.

The Committee resumed at 5 o'clock p.m.

The CHAIRMAN: Gentlemen, when we adjourned at 1 o'clock we had some questions to ask Mr. Jackson, and I think we would get along a little better if someone who wishes to ask questions would exhaust the questions he wishes to ask before someone else comes in.

Hon. Mr. HAIG: I want to ask one question. Will you tell me the elements that enter into inflation, or into deflation?

Mr. JACKSON: The elements?

Hon. Mr. HAIG: Yes.

Hon. Mr. ROEBUCK: What makes for inflation?

Hon. Mr. HAIG: What makes for inflation? What makes for deflation? You have told us considerable this morning about the relationship between the supply of goods and money in 1939 and 1950. You said that for every \$100 of income which the average Canadian had in 1939, he had \$252 in 1950. Are there any other elements that enter into inflation or deflation?

Mr. JACKSON: That is the point at which we get our problem in focus, sir. I think you cannot say more than that. If you bring about, or permit an increase in the means of payment, faster than the production of the goods increases, you must have inflation.

Hon. Mr. EULER: Is that increase through higher wages?

Mr. JACKSON: The converse of my statement is, that if your means of payment should increase less rapidly than your increase in the production of goods, sooner or later there will be deflation.

The CHAIRMAN: By the way, I want to adhere to the rule I stated at the beginning. For the moment Senator Haig has the floor.

Hon. Mr. HAIG: There is one other thing. The government now are curtailing directly or indirectly the bank credits. I do not say they have done so in a formal way, but it has been hinted to them, I think, that they must not expand their loans beyond what they were at a certain date. The same applies to the life insurance companies. Then they will curtail credit on goods that are bought on time. What is your suggestion as to the effect of that policy?

Mr. JACKSON: That is, the manner in which they have now put on the brakes?

Hon. Mr. HAIG: You call them "the brakes"?

Mr. JACKSON: Yes. They have been braking down the rate of increase in the means of payment, which has now been going on so rapidly for so long.

Hon. Mr. ROEBUCK: Why have the means of payment increased as compared with the goods to be purchased?

Mr. JACKSON: I do not know that I now can give a very full answer to the question, sir.

This morning, I spoke of us as having been living in a period of inflation—for one or another reason—since about 1934 or 1935. I want to restrict myself at this moment, merely for the sake of simplicity, to the period from 1939 onwards. Speaking of the last twelve years, up until a certain point we were increasing the means of payment in this country, mainly to finance the government deficits which we encountered in the course of financing the war. I have some figures here which can be put in the record if they are wanted. That simple statement, I think, sums up what occurred until 1946.

Hon. Mr. ROEBUCK: You mean you have been issuing government paper?

Mr. JACKSON: Well, all paper money is government paper. But in order to enable the war loans to be sold which covered our government deficits, we created billions of dollars of paper money and bank deposits. Then from a certain date when the heavy expenses of war and demobilization were over, the government entered upon a policy of getting tax surpluses and using the tax surpluses in order to lessen the debt. In other words, the government's fiscal policy was put into reverse.

Where they had been dragging more and more means of payment into being, in order to enable themselves to sell more and more government bonds to cover this increasing cumulative deficit, now that the national debt had begun to shrink one might perhaps have supposed that the rapid growth in the means of payment might have ceased. But in fact it did not cease, it went right on.

If you take the growth of the deficits of all governments since 1938, by 1946 we had accumulated \$7,769 millions of deficits in all our governments.

Hon. Mr. VIEN: That includes provincial?

Mr. JACKSON: Yes. And in the process we had created additional means of payment of \$4,039 millions.

During the last four years, up to 1950, we reduced our accumulated deficits by more than two and a half billion dollars; that is, from \$7,769 million to \$5,185 million. But at the same time we brought up the total of our additional means of payment, from \$4,039 millions to \$5,858 millions.

In other words, while reducing our accumulated deficit as fast as I have indicated, we brought into being, here, \$1,800 millions of additional means of payment during those four years.

The CHAIRMAN: How was that done?

Mr. JACKSON: Without the necessary figures at my disposal, I could not answer that question adequately. The job would in any case be done better (for example) by someone from our central bank.

Hon. Mr. VIEN: Putting it summarily, how was it done? Was it done by issue of paper money or by the sale of bonds or what?

Mr. JACKSON: No, bonds were being redeemed; and that is what I meant when I talked about the reduction of our cumulative deficit. The government was raising surpluses in one budget after another, by means of which it bought in war bonds, and reduced thus the total of the government's indebtedness.

Hon. Mr. EULER: The money from the redemption of the bonds in the hands of the public would induce more spending and this would increase inflation. Is this not so?

Mr. JACKSON: That would partly depend on what the man getting the money would do next with it. If I may go back to the last question asked by Senator Vien: When the war was ended we were apprehensive that there might come a slump, such as had so frequently followed wars in the past. We deliberately followed what was called an expansionist policy, lending very freely to business, so that there would not be such a slump.

At the same time, there was a tendency for funds to come into this country from abroad, and in the natural course of things, this would enlarge the means of payment in this country.

In the result, there have been five years of tremendous economic activity.

Hon. Mr. VIEN: You did that through the commercial banks.

Mr. JACKSON: Yes, the commercial banks are the main media through which this was done. But you must remember that in the presence of an efficient and effective central bank, commercial banks no longer make credit policy.

Hon. Mr. VIEN: I understand. It would appear so far from your answer that the method used by the government to reduce these accumulated deficits was in the first place a surplus created by taxation, and during a certain period, money coming from abroad for purchases in Canada. How, then, was the balance accounted for?

Mr. JACKSON: Here perhaps I should return to the question asked some time ago by Senator Euler: What happens when a government accumulates a surplus, and uses that surplus to reduce debt?

I suspect that what has been done in this regard, during the last five years, may be found strangely to parallel a development of the 1920's.

In the States at that time, revenues were very buoyant. The government obtained from year to year quite large surpluses; and used them to reduce war debt. That went on, roughly for five years, from 1924 to 1929, which culminated in the well remembered crash of 1929. During those years (I suppose) the money which was gathered in the first place by the government from the taxpayers, and then paid by the government to persons whose bonds the government thus redeemed, thereafter flowed into the merry stream of speculation, which was the mark of those years.

Hon. Mr. VIEN: In other words, putting too much money back into circulation.

Mr. JACKSON: Well, a great deal of the money which was used in the redemption of our own war debt, since 1945, probably financed business expansion during these last five years.

Hon. Mr. VIEN: But, on the other hand, if you increase that to produce surpluses and redeem war debts with such surpluses so created, is it not equivalent? Did you not withdraw from circulation by excessive taxation the equivalent of what you paid in that redemption of war bonds?

Mr. JACKSON: You withdrew money from the people of Canada by means of taxes, in accumulating the funds with which to repay debt. But when the man whose bond was redeemed, received money for that bond, he could do just as he liked with that money.

Hon. Mr. VIEN: Yes, but if you had not taxed to collect the surplus with which to redeem the bonds the surplus profit revenues or income which would have been left in the hands of those who earned it would also have been available for such speculations.

Mr. JACKSON: I think it is fair to suppose that most of the money which is collected in taxes, if it had not been collected in taxes, would have been spent on ordinary consumer goods. If you take \$1,000 from a taxpayer who would have spent it on consumer goods, and use that \$1,000 to redeem a bond from somebody, it is not very likely that the man who sold back the bond to the government—the man whose bond has been redeemed—is going to take the \$1,000 he received and spend it on consumer goods.

Hon. Mr. VIEN: Do you mean to say that the psychology of the bondholder who is the investor is not quite the same as the income earner?

Mr. JACKSON: I think you have a mixed situation. There are people who bought bonds as a nest-egg in the war, purposing to sell them and to refurbish their houses, when the war was over. They doubtless sold their bonds, and spent the proceeds on consumer goods. But many more folk (I should think) when their bonds were redeemed, used the proceeds not as income, but as capital for investment.

Hon. Mr. EULER: Do we draw the inference that if these people who collected the proceeds of the bonds through redemption by the government are using that money in a way that promotes inflation, that it might be advisable on the part of a government to proceed more slowly with the redemption of bonds in order to minimize that process?

Hon. Mr. ASELTIME: That is what they are doing.

Mr. JACKSON: I am not sure I know enough to answer that question, sir. What we did achieve in the last five years was an extraordinary high rate of investment in new plant and equipment, which of course was very good for our productive economy. We reached a stage at which perhaps (on a proportional basis) we were investing more of our income than any nation in the world—though the claim is made, I believe, that Norway did the same thing even more vigorously than we did.

We now reap the benefit of that. We live in a very well equipped country. Possibly, nevertheless, there has been some over-strain during these active years. We perhaps have invested more than, at the time, we really could afford to do.

Hon. Mr. BURCHILL: I am not clear about one point here. You gave us some figures a few minutes ago about the national debt which had been accumulated by all governments. You said that since 1946 that had been reduced by a certain amount.

Mr. JACKSON: Yes, \$2½ billion.

Hon. Mr. BURCHILL: Then you mentioned the means of payment. You said the means of payment had increased and you gave a figure. Where did you get the figure, Professor Jackson?

Mr. JACKSON: It is simply the sum of all the dollar bills and the bank deposits which are at the disposal of the Canadian public, including, that is, Canadian business concerns, and our provincial and municipal governments.

Hon. Mr. BURCHILL: That is really the money in circulation?

Mr. JACKSON: It is the money in circulation. I happened to use the expression "means of payment", but I meant exactly that.

Hon. Mr. REID: With regard to the value of goods available to the public and the amount spent by the public on them, have you taken into account the value of goods bought by the government for war purposes and the value of goods sent out of the country as gifts to other lands, or does the figure you gave us this morning—252 as against 100—represent the amount spent by the public for goods as a whole? Does that include the total national production, or have you segregated the goods that are not available to the public?

Mr. JACKSON: The figure 252 per cent represents the recorded proportionate increase in personal income per head; that is, the total of personal incomes, including both money spent and money saved, divided by the total of our population.

I quoted earlier today from a table showing expenditure on goods and services, and I have it in my hands now. The figure which I then quoted was the percentage of all the money spent on goods and services in Canada, which was spent by Canadian governments. That was 12.9 per cent, in 1939 and 1949.

The statistic of "expenditure on goods and services" takes all the goods and services, including imported goods, which were consumed here, and simply divides them into two parts: The proportion bought and paid for by governments; and the proportion bought and paid for by purchasers other than governments.

Hon. Mr. EULER: Professor Jackson has said and we all know that the cause of inflation is that there is more money in circulation than the value of goods being produced. That is correct, is it not?

Mr. JACKSON: I think I described this, a while back, as the focal point at which we should examine the causes of our inflation.

Hon. Mr. EULER: Are increased wage rates an important factor in that increased circulation of money? We were told the other day that wages had increased in greater proportion than the cost of living had.

Mr. JACKSON: Yes, they have.

Hon. Mr. EULER: Do you think that is one factor in the inflationary situation?

Mr. JACKSON: Well, business paid the wages which business did pay, because business was able to sell the goods, for the production of which these high rates of wages were paid; and it was able to sell those goods, because the people had the purchasing power with which to buy these expensive goods.

If at any stage in the proceedings the creation of credit had been curtailed, to the point at which incomes would not suffice to pay for the goods on a rising scale of costs, business I think would have been compelled to resist, more strongly than it did resist, those demands for higher wages.

And in this connection, we have an interesting prospect before us at the present time. One hears that the demands for wage increases which are now being made, or will be made in 1951, are at least as great as any such demands which have been advanced in the last five years. But these demands are going to be presented to business under a totally new set of conditions. For the last five years, notoriously, business has been dealing with labour under conditions

of easy money. Therefore (at least in a large measure) labour's demands could be met. But such demands may be granted not quite so readily, when we no longer can fall back on easy money.

Hon. Mr. GOLDING: Professor Jackson, this morning you spoke of certain numbers of our population who are living or trying to live on a fixed income. Inflation causes more suffering to them than to any other class. Labourers and many other classes of workers are given increased wages which keep pace with or perhaps go a little beyond increases that take place from time to time in the cost of living, but people who are unable to have their incomes increased bear the brunt of any inflation. I was wondering if you knew what percentage of our population are in that class of people with fixed incomes, such as, for instance, widows whose sole income is a pension?

Mr. JACKSON: No. To my regret, I have not that information.

Hon. Mr. VIEN: But at any rate there is a substantial number of our population living on a fixed income, such as superannuated civil servants and superannuated employees of certain corporations, such as banks and railways and the Bell Telephone Company and so on, and pensioned war veterans. These people have no means of increasing their income and they feel acutely any increase in the high cost of living.

May I ask you this, Professor Jackson? Is it not apparent that the attempt to curb inflation by reducing credit or by high taxation has failed?

Mr. JACKSON: I think it quite premature to say that it has failed. The new policy was only started a very short time ago.

Hon. Mr. VIEN: At any rate it has partially failed, in as much as the cost of living in Canada was never as high as it is now?

Mr. JACKSON: Senator, I may not have understood you fully, but if we are talking about the same thing we mean the control of credit which has been applied in 1951 as a result of the government's fiscal measures, and as a result of the new central banking policy.

Hon. Mr. VIEN: Right.

Mr. JACKSON: Here we have a change of policy which, so far as credit control is concerned, came into force, I believe, about the close of January.

Hon. Mr. EULER: About that time.

Mr. JACKSON: So far as fiscal controls are concerned, they did not come into force till the Minister of Finance brought down the Budget. So, the new controls have only just been applied to this immense and very complex economy called Canada.

Let me suggest a parallel. They tell me that a locomotive, hauling a heavy train, must have its brakes applied half a mile before the point at which it is to be stopped, and only thus can you stop it, without derailling the train.

Hon. Mr. EULER: The policies have not yet had time to have their effect.

Mr. JACKSON: They have not yet been applied long enough to be judged.

Hon. Mr. VIEN: I appreciate that. I think it is obvious that to a large extent the curbing of credit reduces demand, and if the demand is greater than the supply prices are bound to go up. Therefore, by curbing credit, you curb the demand and re-establish equilibrium to that extent.

But are there not other means which could be addressed more directly to the cause of the trouble? There is an inflationary tendency when people want more goods than are offered for sale; in other words, the demand exceeds the supply. Would it not be more reasonable to plan our economy so as to encourage production, and to curb the methods that are being used to reduce production and maintain prices? Should we not bend all our efforts to producing as much goods as it is reasonable to anticipate there will be a demand for? Should we not bend every effort to produce a greater yield per man hour?

Mr. JACKSON: Senator, we have for many years past been increasing our production per man hour, so far as we know, faster than anyone elsewhere, except our friends in the States; faster too, than any nation in the past.

Hon. Mr. VIEN: Are you satisfied of that?

Mr. JACKSON: It is a fact, so far as we know.

Hon. Mr. VIEN: Do you know, or do you not know?

Mr. JACKSON: I have done as much work on the measurement of average output per man hour as any person whom I could now name. But I should like to know more than I do.

Hon. Mr. VIEN: But are you satisfied that there is a real effort being made in Canada today to increase the yield per man hour?

Mr. JACKSON: To the best of my knowledge and belief the rate at which our average production per man hour has been increased in Canada during the past generation has never been bettered elsewhere.

Hon. Mr. EULER: Is that on account of the use of machinery?

Mr. JACKSON: Mainly.

Hon. Mr. EULER: The reason I asked that question is that the impression abroad is that the difficulty is due to the fact that we are not producing according to our ability to produce.

The CHAIRMAN: Order!

Mr. JACKSON: The same question seems to be coming to me from opposite sides of the room. I personally can think of nobody, connected with business or government, who could be described as planning to restrict, or desiring to restrict production.

Hon. Mr. VIEN: At the present time?

Mr. JACKSON: That is what I was asked to talk about.

Hon. Mr. VIEN: What is the present time? Is it six months or a year ago?

Mr. JACKSON: A moment ago, speaking about the growth in volume of average per-man-hour output, I quoted from records covering a generation.

Hon. Mr. VIEN: Are you still using the term in that sense?

Mr. JACKSON: My statement applied, broadly, to the generation through which we have just lived. I do grant, nevertheless, that here and there someone has been convicted of "restraint of trade" under the Combines Act; and in parallel to this, there has been a good deal of restriction of effort, by labour.

Hon. Mr. EULER: That is what I was trying to get at.

Hon. Mr. VIEN: The facts as I know them are not in accordance with those just stated. For instance, in the bricklaying industry I am advised by clients of mine and people in the trade that an average bricklayer can lay from 1,000 to 1,200 bricks a day, but the union compels him to lay not more than 400. The figure went as low as 350 bricks per day, but it is now 400. My information is that a top bricklayer can lay as many as 2,000 bricks a day.

I am further advised by a general contractor that in the plumbing trade today it takes 24 hours to do the same work that was done in one hour, ten years ago. Further, I am told that two carpenters could at one time put up twelve doors in one day, and that now they do not put up four.

It is obvious, therefore, that the production per man hour is down. The information that I received from a reliable general contractor in Montreal was that the production per man hour today is not half what it was ten years ago.

Mr. JACKSON: You mention unmechanized labour, such as the bricklaying trade. I too could cite a dozen such instances of dwindling production per man hour in trades still unmechanized, without the slightest difficulty.

My first statement about the growth in average production per man hour, was about our whole economy.

With specific reference to mechanized industry, there is no doubt that Canadian business is now doing the best that it can, to keep itself fully mechanized, up-to-date, and efficient. Hence our tremendous rate of investment, already mentioned.

HON. MR. VIEN: In the United States and Canada during the last war it was found that steel was in short supply.

Every effort was bent in the United States and Canada during the last war to increase the production of steel. After the war was over, based on that experience, a great pressure was brought upon steel mills to increase their production and their facilities to establish, for instance, more rolling mills in Canada, so as to supply steel products in greater volume. Steel mills resisted that idea both in the United States and Canada, and steel magnates had quite an axe to grind, and were at odds with President Truman's policy after the last war, when he wanted the government to undertake the creation of steel-producing units. They were at loggerheads in that respect, and today in Canada and the United States we are at a loss to find the steel that we require for all purposes, because steel-producing facilities in the United States and Canada have not been increased right after the war. Steps have been taken, now that there are threats of war, but it has been extremely protracted, and it is only the present emergency that has stimulated this policy of inducing people to increase their production of steel. But right after the war the governments both in Canada and the United States urged the steel magnates to produce more steel and to increase their facilities, but they refused to do so, because they were afraid that the price of steel would come down on the market. And that is true as regards many other commodities.

THE CHAIRMAN: Now, Senator Vien, there may be other senators here who wish to ask some questions. We will have to break up by six o'clock. Senator Haig, do you wish to ask anything?

MR. JACKSON: Excuse me, may I make just one observation on Senator Vien's point, if you don't mind?

THE CHAIRMAN: Yes.

MR. JACKSON: It is generally said that 20 per cent of a nation's total product is all that that nation can invest safely. None but the very strongest and most vigorous nations can do that. In our own case, we Canadians have been investing about 20 per cent of our total product ever since World War II stopped—and indeed (when business was active) for a long time back.

On an average, in 1949 and 1950 we Canadians have been investing (in an almost incredible proportion) nearly 24 per cent of our gross national product. We were discussing the question in this very room a few minutes ago, whether we had been devoting too much of our energy to the purposes of investment. Now Senator Vien tells me that business has been selfish, that it has refused to make as much investment as it should have made.

For my part, I cannot discuss the relative merits of more steel, against more of something else. I can only talk about the scale of current investment, overall, in Canada. But I can assure Senator Vien that the rate at which we Canadians have actually been investing in new plant and equipment, since the close of World War II, can be paralleled in the records of very few countries.

HON. MR. HAIG: I think he has answered my question.

HON. MR. ROEBUCK: I would like to ask a question, Professor Jackson, because I have been thinking while you made your statement that the taxing of the general taxpayer, the taking of money from him in income taxes and that sort of thing and using it for the purchase of bonds, has been inflationary; and I am just wondering whether that is so; because it has got a very concrete and practical application. We have been doing that, and perhaps we should not have,

but I am inclined to doubt it. I would like you to elaborate it a little bit more, if you will. Supposing you test it this way: Supposing you took all the income of the nation and handed it over to the investor, what would the effect be? In the first instance you would have taken the purchasing power away from the masses. In the second instance you would have given to the investor a very large sum which he would expend perhaps in the purchase of electrical goods from Sweden and the purchase of land; values would go up, because there would be competition for that kind of investment hither and yon. But my point is, would not that be exactly the reverse? That would be deflationary, because you would leave the masses of the people without money with which to buy beef-steaks and clothes and that sort of thing, and you would divert a great sum perhaps for expenditure out of the country, bringing in capital goods, and for investment in such things as land values and northern mining claims, and God knows what. Would it not have exactly the reverse effect to what you say?

Mr. JACKSON: I fear the senator may be conceiving of the so-called "masses" as the people who pay the taxes and do the consumption of the consumer goods; and that he may be conceiving of investors as being the so-called "rich", who buy themselves electric luxuries from Sweden, and as well, own the government bonds.

Hon. Mr. ROEBUCK: There is something to that, yes.

Mr. JACKSON: In fact, it is not the masses who bear the heavy burden of taxation in this country; it is the people with larger incomes, who bear the great burdens of taxation—as doubtless should be the case. And it is not the people with large incomes who buy most of our securities any more. Mostly these are bought by corporations, who serve enormous numbers of people, most of them with small incomes.

I suppose that our life insurance companies are the largest sources of investment funds in this country today—and that they were the largest element, in the financing of all our government deficits, not long ago. But what are our life insurance companies? Agents (as everybody knows) of millions and millions of Canadians, mostly possessed of small insurance policies.

The money which redeems war bonds may come largely from relatively rich taxpayers. If used in the redemption of bonds, held formerly by some life insurance company, this money might thus be paid, indirectly, to myriads of little people with four and five thousand dollar life policies.

Hon. Mr. ROEBUCK: Then what do you say to Senator Vien's proposition that if you take it away from one and give it to another, if they are the same class, if the people who pay the taxes are the same class as those who own the bonds, you have accomplished nothing, and it is neither inflationary nor otherwise?

Mr. JACKSON: I think of individuals.

You take money from individuals, rich and poor—who would have spent (for the most part, doubtless, on consumer goods) the money that you take. You pay that money to bondholders—maybe to the life insurance companies. They get it in exchange for war bonds, which they surrender.

In functional terms, tell me: What do the former bondholders do next, with the money that you paid them?

Of course, if the life insurance companies were to spend it on the same consumer goods of which the taxpayer had been deprived, there would be no net resulting influence on our economy. But if a life insurance company (for instance) which receives the money for war bonds, instead of purchasing consumer goods, uses it otherwise, then the process of redeeming debt does something to the national economy, which we cannot quite ignore.

Hon. Mr. ROEBUCK: What is your proposition? What do they do with the money?

Mr. JACKSON: I said before lunch that I suspected that a very large part of it was reinvested in such a manner that it—

Hon. Mr. ROEBUCK: —went into capital goods?

Mr. JACKSON: That it went into capital goods.

Hon. Mr. ROEBUCK: Then, that ought to be anti-inflationary and not inflationary.

Hon. Mr. VIEN: What is your conclusion on that point?

Mr. JACKSON: What I did was to suggest that there is a parallel between the present and the 'twenties when the same kind of thing was happening, and that perhaps in both cases the reduction of debt led to large additional funds getting invested, and increasing the business tempo, by making the percentage of our total product, which took the form of capital goods, larger than it would otherwise have been.

Hon. Mr. VIEN: What would be the alternative that would be a remedy to that tendency? What corrective could be applied?

Mr. JACKSON: I do not know, sir, I do not lay down a doctrine. I merely suggest something.

Hon. Mr. VIEN: No, but if your assumption is correct, what would be the corrective in your opinion?

Mr. JACKSON: Sir, I do not even assume anything. I merely suspect that there is a parallel between this condition in our time, and in the 'twenties.

Hon. Mr. VIEN: Suppose your suspicion is right, what would be the corrective in your opinion?

Mr. JACKSON: I do not know.

Hon. Mr. ROEBUCK: In 1921, following the First Great War, we did this very thing. We bought up bonds and we started to redeem the debt. We had falling prices and rising money and it brought on the financial troubles of 1921 or thereabouts, and afterwards it kept our noses to the grindstone, and we attributed it at that time to the redemption of war bonds, and the increase in the value of money.

Mr. JACKSON: If I may be forgiven, Senator, I should like to call to your memory the fact that the crash that you talk about began in 1920, about May, following the conclusion of the last big U.S. financial operation, for the repatriation of, and demobilization of troops. Debt had not yet begun to be reduced anywhere in North America, but there were signs that it would cease to grow, from that time on. The last big war loan (in November, 1919, I think) was the warning bell; and the crash in the commodity markets came six months later, in May 1920. This ended a period of inflation based on deficit financing.

Hon. Mr. ROEBUCK: There was a deflationary period about that time. I said 1921, and I was not very far out.

Mr. JACKSON: The peak of inflation was in May 1920, and the deflation period followed that peak, during the succeeding eighteen months.

Hon. Mr. ROEBUCK: Yes.

Mr. JACKSON: And the deflation, I suggest, was not the consequence of redeeming debt because, at the time, there had been no significant reduction of debt.

Hon. Mr. EULER: Is it not a fact that if the government redeems bonds, in so far as insurance companies and other financial institutions holding bonds are concerned it would have no effect either deflationary or inflationary, because

these moneys received for government bonds would be re-invested by these insurance companies and financial institutions. I take it, then, it would apply only to the individual bondholder whose bonds are redeemed and who may use these bonds for any purpose whatsoever. And that would be a contributing factor to inflation.

Mr. JACKSON: If the man whose bonds were redeemed spent on consumer goods the money which was paid him; and if the money which he spent was taken from someone else, thereby prevented from spending it on consumer goods; I do not see that there was any net change as a result of the transaction.

Hon. Mr. EULER: He might not spend it in that way.

Mr. JACKSON: The point I have been trying to make is that debt redemption by the Canadian government has probably tended to swell the stream of investment funds, at a time when we were investing on a very large scale anyway. I have some figures here. I do not know whether they might be found useful.

Hon. Mr. ROEBUCK: That seems likely. What you have done is to change the government's promise in the bond into a bank account, and the bank account is a little more fluid, and it therefore more readily runs into investment.

Hon. Mr. HAIG: I think you are right, Professor Jackson. The ordinary man who redeems a bond doesn't usually go and spend it but puts it into something else. The present idea is to put it into capital goods like common stock or real estate.

Hon. Mr. EULER: Or he buys a new automobile.

Hon. Mr. HAIG: Not very many who have bonds sell them to buy automobiles. That has been my experience.

Mr. JACKSON: In 1949-50 one-eighth of the enormous investment which was being made by Canada was financed by government surplus. Average annual figures for the two years are \$4,061,000,000 for total investment; and government surplus, \$520 million. That is (I should think) a very large element swelling the tide of investment.

The CHAIRMAN: Before we adjourn I wish to say that Senator McDonald has asked what I think is a pretty practical question. He has sent it to me in writing and has asked me to present it to Mr. Jackson. The question is: What are the practical aims that we should keep in mind besides increasing production to give Canada the soundest economy?

Hon. Mr. EULER: That is a big order.

Mr. JACKSON: That is a very large question.

Hon. Mr. McDONALD: We have had a very interesting discussion today. We have covered a wide range of topics, and it would be most interesting if Mr. Jackson could summarize what has been said here today by giving us the important aims that we should keep in mind in order to give us the soundest economy. Judging from the discussions we had this morning I think that the first one might be to increase production.

The second, perhaps, might be to emphasize a proper immigration policy, to get a sufficient labour force to increase production. Would you care to go on from there?

Mr. JACKSON: No matter how far afield we may from time to time have wandered in this discussion, nevertheless I take it from your initial observations, Mr. Chairman, that our principal concern is with inflation; with its consequences; and the degree to which government spending at all levels may be responsible for it, or connected with it.

My purpose has been to focus our attention on two things: first, the rate of increase in our production of goods and services; secondly, the rate of increase in the means of payment, and in the total of our personal incomes.

I believe that if the growth in means of payment, and our personal incomes, outstrips persistently the growth in our production of goods and services, we cannot avoid more inflation.

Obviously, the first thing we desire (we should want it for other very good reasons, if we were not concerned to combat inflation), is to bring about as rapid an increase of production as we can, using every means in our power to compass this end. Anyone at all, whose conduct contributes to the growth of production, helps in the war against inflation. Anyone at all, whose conduct retards the growth of production, is doing just the reverse.

But after more than ten years, in which the growth in our money supply so fast outstripped the tremendous increase that there has also been in the physical volume of production, the thing we should concentrate on first, is (I submit) the vital necessity that we check now this persistent increase in the means of payment.

Do this—or we shall be defeated.

The new restrictions on credit have only been applied this year—are still but a few months old. We can only see the faintest signs of their success, as yet. We cannot yet base a verdict, on what we now can see.

But I do think it an advantage to this country, that more and more of our folk realize this truth. We must attack the forces which bring about inflation, in order to control inflation, and we cannot possibly control inflation simply by rebuking it and forbidding prices to rise—as many Canadians, not long ago, supposed that we could do.

I should like to leave this thought with members of the committee. The present policies of controlling credit cannot be pursued without hurting us. Already these policies are hurting a great many people. Soon, they will hurt a great many more people.

I fancy that already there are developing strong pressures on government, to secure relaxation of the present credit controls—possibly for the benefit of individual persons, or groups which are being hurt.

But we, the people of Canada, must not be deflected. We must not even consider going back (in the present circumstances) to the same easy money conditions, which we welcomed and enjoyed not long ago. We could not be deflected, without risking another severe post-war inflation—whose consequences, for the middle class of Canadians, might be quite literally catastrophic. I do not know, sir, whether or not you may think this answer covers the points which you had in mind.

Hon. Mr. McDONALD: Yes, thank you.

The CHAIRMAN: That is a very clear statement.

Hon. Mr. PRATT: One of the major factors in the government's policy is control of credit through the banks. Do you think, Professor Jackson, there is any danger that this may slow up production? Increased production is one of the major factors in preventing inflation, and I am wondering whether you think the control of credit may have the effect of really slowing up production. And do you not think the government's policy should be discriminatory or selective, so that credit should be restricted to non-essential and non-productive industry and extended to productive industry?

Mr. JACKSON: I personally do not like the thought of arbitrary discrimination between individuals.

Hon. Mr. PRATT: I meant between classes.

Mr. JACKSON: We have permitted credit to grow too fast, and the difficulty lies, not in the fact that Mr. Jones or Mr. Smith has too much credit, but in the fact that we, the people of this large Dominion, have endowed ourselves collectively too fast with new means of payment. We must put a stop to that indulgence.

The change which we now purpose, in the field of credit creation, is a most difficult and delicate, and sometimes a dangerous operation. What Senator Pratt says might easily become fact.

We steer between Charybdis and Scylla—must avoid the perils of inflation (concerning which we learned something at least, during the ten years just ended), but must avoid also the still greater perils of deflation (of which we learned much in the preceding ten years).

Hon. Mr. EULER: It takes pretty careful steering, does it not?

Mr. JACKSON: It does take pretty careful steering. I think we should rejoice that in our own country, the men whose job it is to carry through these fiscal and monetary policies, are themselves first class. They could not be bettered, anywhere.

Hon. Mr. GOLDING: Mr. Chairman, I feel that we should extend a hearty vote of thanks to Professor Jackson for coming here and giving us this interesting information.

The CHAIRMAN: I was about to convey the thanks of the committee to Professor Jackson. We have had two interesting sittings today, and on behalf of the committee I wish to thank you, Mr. Jackson, for your attendance here and for the interesting and informative material which you have presented to us.

Honourable SENATORS: Hear, hear.

The CHAIRMAN: I think I can promise you that if at some future date the Senate should undertake another inquiry of a similar character, you will be one of the gentlemen asked to attend.

Honourable SENATORS: Hear, hear.

The committee thereupon adjourned, to resume at the call of the Chair.

APPENDIX F

SOME CANADIAN MONETARY STATISTICS 1939 TO 1950

	1939	1946	1947	1948	1949	1950
1. Means of Payment Per Head (1939=100).....	100.0	222.3	230.6	239.7	245.5	251.7
2. Personal Incomes Per Head (1939=100).....	100.0	205.9	215.3	240.8	245.7	252.7
3. Gross National Product Per Head in 1935-1939 dollars (1939=100).....	100.0	147.3	147.5	146.5	145.0	146.9
4. (1) divided by (3) $\times 100$ (1939=100).....	100.0	150.9	156.3	164.1	169.3	171.3
5. Cost of Living (ex rents) (1939=100).....	100.0	125.0	138.5	161.4	168.0	172.7

APPENDIX C

GOVERNMENT EXPENDITURES AND THE GROSS NATIONAL PRODUCT 1939 TO 1950

(in millions of dollars)

—	A		B			C	D	E	F	G	H
	Gross national product	\$	Total government expenditures		All governments	Transfer payments	Transfers to other governments	Subsidies	Expenditure on goods and services*	B as % of A	F as % of A
			Federal	Other							
1939.....	5,598		459	752	1,211	421	83	-17	724	21.6	12.9
1940.....	6,772		998	679	1,677	395	74	52	1,156	24.8	17.1
1941.....	8,434		1,591	666	2,257	378	55	74	1,750	26.8	20.7
1942.....	10,455		3,734	658	4,392	420	150	93	3,729	42.0	35.7
1943.....	11,283		4,379	681	5,060	471	148	211	4,230	44.8	37.5
1944.....	11,919		5,289	738	6,027	580	155	267	5,025	50.6	42.2
1945.....	11,810		4,265	810	5,075	948	157	236	3,708	43.0	31.4
1946.....	12,008		2,839	964	3,803	1,561	174	180	1,832	31.7	15.3
1947.....	13,657		2,045	1,195	3,240	1,306	192	76	1,562	23.7	11.4
1948.....	15,503		2,808	1,450	4,258	1,325	150	77	1,797	21.6	11.6
1949.....	16,382		2,146	1,641	3,787	1,422	182	77	2,106	23.1	12.9
1950.....	17,791		2,284	1,821	4,105	1,457	256	59	2,333	23.1	13.1

Transfer Payments include such items as old age pensions, Family Allowances and interest on the National Debt.
Subsidies are cash subsidies or rebates on customs etc. paid or allowed to producers for certain goods.

* By Governments.

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PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 11

THURSDAY, JUNE 14, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

The Honourable D. C. Abbott, P.C., Minister of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., Chairman

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Howden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien
Farquhar	McDonald	Veniot
Farris	McIntyre	Wilson
Fogo		

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday,
March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, June 14, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 4.15 p.m.

Present: The Honourable Senators, Crerar, Chairman; Aseltine, Barbour, Basha, Beaubien, Burchill, Farquhar, Golding, Haig, Howden, Hugessen, Lambert, McDonald, McIntyre, Paterson, Reid, Roebuck, Turgeon and Wilson.
—19.

In attendance: the official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

The Honourable D. C. Abbott P.C., Minister of Finance, was heard.

At 5.00 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE,

OTTAWA, Thursday, June 14, 1951.

The Standing Committee on Finance, which was authorized to examine the Estimates laid down before Parliament for the fiscal year ending March 31, 1952, met this day at 4.15 p.m.

The CHAIRMAN: Gentlemen, we will come to order. We have the pleasure and the privilege of having Mr. Abbott appear this afternoon to, if possible, enlighten our darkness on some of these problems which we have been considering of government expenditures and inflation and kindred evils of that kind. It is not necessary for me to express any words of introduction to Mr. Abbott. I think, if we do not all know him personally, we know him through the medium of our pockets. So I have much pleasure now in asking Mr. Abbott to speak to us, and probably after that, if there are any questions—

Hon. DOUGLAS C. ABBOTT: Thank you, Mr. Chairman. When you were good enough to ask me to come over and meet the committee, I said I would be very glad to do that. I have been following its proceedings with a good deal of interest, and I think you have been doing some very useful work this year. I had not contemplated that you would expect me to make any extended statement, and consequently I did not come prepared to do so. But I assume that probably there have been some questions come up in the course of your meetings on which you might like to put me on the grill, and so on that understanding, that it will be more in the nature of a discussion on current problems, some senators might like to put questions on specific points, and I will do my best to try to answer them.

The CHAIRMAN: That is quite satisfactory.

Hon. Mr. HAIG: Just following that line up. Today we dealt with a bill on housing. In discussing the housing bill the question came up as to the rate of interest to be charged, and upon my request they very kindly consented to delay it so that you could come and discuss that. But in view of the urgency of the bill to reach the house we dealt with it specially this afternoon, gave it third reading in our house, on the understanding that I could ask you questions here.

Hon. Mr. ABBOTT: Yes. I would have been here yesterday only I was held in the House of Commons on the Income Tax Bill.

Hon. Mr. HAIG: The first question I would like to ask is a question about the bill. I raised the question in the house that, with the present rates existing for bonds, you can allow 5-20, and you are going to allow 5 per cent: that is what the anticipation is now. Would you tell the committee how that is worked out?

Hon. Mr. ABBOTT: Well, the principle that is embodied in that bill is that the interest rate which will be charged on National Housing Act loans by the government will be related to the current interest rate for long-term government bonds. There will still be a provision that the Governor in Council will fix the rate, but it is not to vary more than—I have just forgotten—is it half of one per cent from the prevailing rate for long-term bonds, and there is a definition of what constitutes long term bonds.

Hon. Mr. HAIG: It is twelve years.

Hon. Mr. ABBOTT: Bonds of twelve years or longer. That seemed to me a desirable limit to include in the National Housing Act, because if your interest rate is substantially higher than the rate on government bonds you would be charging borrowers more than you should. On the other hand, if it were significantly lower, there would be a subsidy element in the form of the interest rate which would be hard to defend unless it were made of general application. That was the reason for establishing as a criterion for the rate which would be established by the Governor in Council on loans of that kind the prevailing rate on long-term government bonds as defined in the section.

Hon. Mr. HAIG: What rate of interest will that give the loaning companies?

Hon. Mr. ABBOTT: Mr. Winters could answer that better than I can; but, speaking from memory, and subject to correction, my recollection is that the lending companies put up 75 per cent of the money, the Government, Central Mortgage and Housing puts up 25 per cent. On the 25 which is put up by the Government the return is, let us say, 4 or $4\frac{1}{2}$ per cent; the charge to the borrower is 5 per cent, or whatever it is, and averaging the two, you get the effective rate to the insurance company, which is probably at least one per cent higher than the return on the money which is provided by the government.

Hon. Mr. HAIG: That is what I understood.

Hon. Mr. ABBOTT: My details may be a bit off. That is the principle on which it is based.

Hon. Mr. ASELTIME: Mr. Abbott, what would happen if, for example, these bonds of ours, which we are holding, and which we always thought would be redeemable at par at any place at any time, go down to 90? They are 97 now. If they go down to 90 what effect is that going to have on the general interest rate?

Hon. Mr. ABBOTT: Well, if that contingency happens the interest rate on these mortgages will be increased accordingly. That will reflect of course a general increase in interest rates. You appreciate that interest rates in these modern days are determined by the prevailing interest rate on long-term government bonds. That is your highest type of security. On the interest rate paid on your highest type of security depends substantially what interest rate will be paid on corporation bonds, provincial bonds, municipal bonds and so on. They are all related to the interest rate on long-term government bonds. I emphasize the long-term aspect because that interest rate is as a rule more significant than the short-term interest rate, which for various reasons has not the same effect on the general interest rate for corporation bonds that the long-term interest rate has.

Hon. Mr. REID: I wonder if Mr. Abbott could elaborate on this. People are getting fairly concerned about the fall in government bonds. I have heard it stated that municipal bonds today are dropping on account of the drop in government bonds. Is there a reason for the drop?

Hon. Mr. ABBOTT: Well, as I expect most members of the committee are aware, there has been a modest increase in interest rates. Our interest rates here in Canada, as is the case with so many other things, are largely influenced by the interest rates in the United States. Now, following the long-drawn-out controversy between the Treasury and the Federal Reserve in the United States, the interest rates on long-term government securities have increased approximately half of one per cent. The same change has been reflected here in Canada, and our long-term government bonds, which about a year ago were selling on the basis of about 2.75 per cent, are now selling on a basis of something in the order of 3.20 or 3.24. So there is pretty much a parallel increase in the interest rate. As the committee all appreciate, the current price of bonds depends upon the

prevailing interest rate. The contract is to pay the face value of the bond at maturity—twelve, sixteen, eighteen years hence, and in the meantime to pay interest on it, either semi-annually or annually, as the case may be, at a certain stipulated contractual rate. It may be that if money is easy the demand for bonds will be such that the price will be up, which means of course that the effective interest rate received by the purchaser of that bond is correspondingly reduced. Or if on the other hand money is somewhat more tight, to use a colloquial phrase, the demand for bonds will be somewhat less, and the interest rate will tend to increase.

Hon. Mr. PATERSON: Is it not a definite policy of the government to back away from supporting bonds at 100 per cent?

Hon. Mr. ABBOTT: I would say that in view of the trend of interest rates in the United States the government, I think, would consider it inappropriate to try and bolster an interest rate figure higher than the conditions justify. As members of the committee appreciate, the purchases of government securities by the Bank of Canada or by the various government accounts has an influence on the bond market. The purchases of insurance companies and commercial banks and large corporations are factors in determining whether the bond market is strong or weak.

Hon. Mr. HAIG: I gather from your statement that you would say the effective rate in the United States has an effect on our rates?

Hon. Mr. ABBOTT: Inevitably, senator, because, as you know, we borrow in New York. Our provinces and municipalities borrow down there. Our securities are traded there, and the economies of the two countries are so closely related that interest rates in the United States are bound to have a very significant effect on interest rates in Canada. That is inevitable.

Hon. Mr. HAIG: Well, then, it would not be fair to say that the government's action of last fall in allowing the dominion bonds to drop below 100 per cent was any positive action on the part of the government? It was just because the rates deteriorated in the United States?

Hon. Mr. ABBOTT: I think in fairness I should say that under existing conditions the government felt—and I felt as the Minister of Finance—that a modest increase in interest rates was desirable.

The CHAIRMAN: Hear, hear.

Hon. Mr. ABBOTT: The man who has bought a bond today carrying a rate of two or more per cent is getting the full amount which he contracted to receive. If he holds his bond to maturity he will get his full face value. In this country we have always paid our obligations in full, and I have no doubt we shall continue to do so. If a man has a surplus from his current earnings to invest he will invest it at the modestly higher rate that now prevails.

Hon. Mr. HAIG: Do you think the increase in interest rates has any effect on the cost of living?

Hon. Mr. ABBOTT: That is a little difficult to answer categorically. I think that the use of the interest rate as a fiscal weapon is traditionally one of the anti-inflationary measures. It is one of the measures which we are now using to control consumer credit. The banks have agreed to endeavour to maintain their existing level of credit. The insurance companies came forward voluntarily and issued a public statement that they wanted to do what they could in the investment field to counter the strong inflationary forces which exist. I believe, in spite of what may be said in some quarters of the House of Commons, that the fiscal taxation policy that I brought down in my budget is helping to achieve that end too. That is a matter on which I know opinions may differ.

Hon. Mr. LAMBERT: I should like to know, Mr. Abbott, if during the years of war financing it was anticipated in the slightest degree that this trend of higher interest rates would develop in the post-war period?

Hon. Mr. ABBOTT: I cannot say, Senator Lambert. I remember very vividly, as I am sure we all do, that during the Victory Loan Campaigns Mr. Ilsley stated that the government would see that there was an orderly and stable market for government bonds, and I say that there has been.

Hon. Mr. LAMBERT: I think the factors which have led to higher interest rates are natural enough, but I am thinking of this question now in the terms of policy in the long run. The economy in which we were supposed to be involved in common with other countries during the war was to pay for the war as much as possible as it went along, and lower interest rates were to carry that burden. Then in the post-war period with reviving trade and credits abroad, and so on, there was always to be that controlling factor of low interest rates. What do you think is wrong with that idea?

Hon. Mr. ABBOTT: I do not think there is anything wrong with it at all but I do not think any government has ever attempted to guarantee an interest rate in perpetuity. I think they would be embarking on a big undertaking. Interest rates are one of the things that are bound to fluctuate with supply and demand so long as we operate under the system under which we operate today. I think that the most any government should be expected to do would be to endeavour to see that orderly and stable market conditions for its securities were maintained; but the guarantee that government bonds issued today would bear the same coupon rate as those issued last year or the year before is something that I do not think any responsible Minister of Finance would ever contemplate.

Hon. Mr. LAMBERT: Might it be fair to say that there is no such thing as a perfectly planned economy?

Hon. Mr. ABBOTT: That is a matter of opinion, but I would agree 100 per cent with your statement that there is no such thing. Others may differ.

Hon. Mr. LAMBERT: The hopeful plans for the future, if you like, were upset by the fact that the war was not properly ended. All this war preparation has created an inflationary situation. The decontrol of things probably before they should have been decontrolled, and so on, must have had an awful lot to do with this.

Hon. Mr. ABBOTT: I think it is perfectly true that the strong inflationary forces which existed during the war were dammed up to some extent during that period and then levelled out afterwards, and then revived as a result of the heavily increased expenditures for defence which we, in common with others, are going to have to incur. I think most members of the committee will remember that it is only a little over a year ago that we appeared to be in a sort of mild depression. There was an increasing amount of unemployment, prices were softening, goods were accumulating, and so on; and I remember that in our chamber we were hearing a lot of speeches that the government ought to be doing something about this. Well, these situations can change pretty rapidly. That was only in March and April of last year, and it was all changed by the Korean development.

Hon. Mr. HAIG: What controls or manipulations would you say that you, as Minister of Finance, have taken to help to stop the spiralling of the cost of living?

Hon. Mr. ABBOTT: Well, I do not call them manipulations, senator. The various indirect means which we are using to dampen down these inflationary forces are: our fiscal policy, our taxation policy, control of consumer credit, with the co-operation of the banks the limitation of a further extension of bank

credit, a moderate increase in the interest rate, the proposal which I made for deferred depreciation, and so on. All of those, I like to think, constitute a fundamental though perhaps rather sophisticated approach towards attacking the problem, but I do believe they are attacking the problem at its roots; and judging by some of the reports I am beginning to receive it would seem that the program was beginning to bite in places.

Hon. Mr. PATERSON: Assuming that the cost of living is composed of two things, labour and interest rates—and when you boil the thing down you see that even freight rates are labour costs—if you put the interest rates down, which are the only things that have come down since the beginning of the war, you are still adding to the cost of living, are you not?

Hon. Mr. ABBOTT: Yes. In discussing things of this kind I like to think in terms of the price level rather than of the cost of living. Of course you are quite right in assuming that labour is the largest factor in the cost of goods, because even the raw material content of goods requires labour to take it out of the earth and to process it and so on. As has been said so many times before, we in this country are heavily dependent upon outside factors in the determination of our own price level, because we import so many of the things that are absolutely essential to our economy. Also, we export a lot of things which are sold in the world market and our own people have to pay the price that we can get for them outside. So I have always felt that in Canada we could not expect to have a significantly lesser degree of inflation than is experienced in the United States. We could have very considerably more if we did not manage our affairs intelligently, but in view of the very substantial portion of our trade which is done with the United States I think that is a fair statement of the position we are in. In other words, a good deal of the inflation that we get at any time is bound to be an imported inflation.

Hon. Mr. McDONALD: Mr. Abbott, I should like to ask you what you think we as Canadians can do to keep Canada as economically sound as possible. I think that some time ago you suggested there should be increased production.

Hon. Mr. ABBOTT: Well, as everybody recognizes, the fundamental cure for inflation is increased production. I am speaking generally now, not referring to increased production of one particular article or class of goods. It seemed to me a bit anomalous that at this time we as a nation should be considering indulging in greater leisure, greater defence expenditures and greater personal consumption, all at the same time. I could not just see how all that could be accomplished concurrently. As I have said before, I think that one way in which we can help to beat inflation is for everybody in his own sphere to work a little bit harder and perhaps a little bit longer.

The CHAIRMAN: What is worrying people today is the rising cost of living, the fact that their dollars do not buy as much as they used to buy. Obviously the cost of living has been enormously affected by the international policy of the western countries which has resulted in the Korean venture. If it were possible to reduce our spending as individuals, collectively, and the spending of other groups, by 20 per cent, what effect would that have on inflation? That would be going at the problem by decreasing the demand for the available supplies of goods and services.

Hon. Mr. ABBOTT: Well, I do not know that I want to give a positive answer as to what a 20 per cent reduction in private and public spending would accomplish. I think that if the reduction went as far as 20 per cent it might have some very unfortunate effects on the Canadian economy. Our defence expenditures will apparently absorb something of the order of 10 per cent of our gross national production this coming year. Now if you attempt to

curtail the consumption of goods and services beyond what is necessary to offset that, I suppose the result would be bound to be some unemployment and so on. It is a question of proportion. So far as government expenditures are concerned, I think—and I have said this repeatedly—every effort must be made to eliminate all government expenditures which are not of a high order of priority. In spite of what has been said in a good many places, I know from personal experience that we made a real drive towards that objective this year and we accomplished more in that direction than has been accomplished, in my experience, before. Of course, when you speak of government expenditures what you have to remember is that the field in which we are operating now is relatively limited. People talk about an estimated saving of \$35 million a year out of total expenditures of \$2 billion. But it is not really relevant to speak of saving \$35 million out of \$2 billion, because out of that \$2 billion only about \$500 million, aside from defence expenditures, comes in the category of controllable expenditures. In other words, \$500 million is the total annual expenditure for our ordinary government services, including the Civil Service, Agricultural Services and so on.

The CHAIRMAN: I had in mind the thought, Mr. Abbott, that if individual spending were reduced substantially that would be bound to have an effect on the spiralling of prices. Of course the defence effort would still make heavy demands, but the plain fact of the matter is that we cannot maintain the high standard of living that we have been enjoying and at the same time pay out \$1½ billion a year for defence.

Hon. Mr. ABBOTT: That is quite right. The budget this year and these other restrictive measures were designed to introduce some moderate reduction in commercial spending. I do not wish to thresh old straw, but that was one of the reasons for the additional sales tax. That is a tax on spending. In a great many cases people can avoid paying taxes by refraining from spending, and saving the money. That is true also for the additional excise tax on less essential goods. Generally, that is the purpose of some of these measures, but I do not want to suggest that under existing conditions it is either necessary or desirable that there should be any wholesale cutting back in normal spending.

Hon. Mr. ASELTINE: Would any inducement to save be offered to people by increasing the interest rate paid by banks on savings accounts?

Hon. Mr. ABBOTT: Well, I suppose there would be a build-up there, Senator. I do not know how much attention is paid in the accumulation of savings to the rate of interest paid by the banks, or the rate of interest that is available on good securities.

Hon. Mr. ASELTINE: The rate is very low.

Hon. Mr. ABBOTT: What is it, 1½ per cent?

Hon. Mr. ASELTINE: Yes.

Hon. Mr. REID: My question was really a twofold one, Mr. Abbott. It had to do with our present economic situation as we compare it to, say 1935. I am wondering, in the same way as many others are, whether or not our way of life and economic standards of today may not become stabilized. We have reached this stage by going through progressive periods, each of which was called an inflationary period, until today we are paying out large sums for say food, and at the same time looking back to the low prices of 1935. It occurs to me that we are not taking a proper perspective of conditions. What we are looking at now in the way of high prices and high wages may well become stabilized. Would you care to offer an opinion on that question?

Hon. Mr. ABBOTT: Prophecy is always a dangerous practice. I do not know the answer, but in the light of history, especially over the past couple of hundred years, there has been a gradual inflationary process going on, largely due to wars. Every major war has brought about a greater or lesser degree of inflation. Certainly the last war was no exception to that rule.

Hon. Mr. REID: My other question is coupled in with that one. Fear has been expressed in this committee about government expenditures becoming stabilized and incapable of reduction. There is a feeling that if we do drop back in our production and peace is declared, there will be a serious dislocation in our economy. The government has undertaken expenditures that cannot very well be reduced.

Hon. Mr. ABBOTT: That is a very valid subject for concern. We have built up a fairly high proportion of our total government expenditure in the form of fixed expenditures. I touched on that question a moment ago. For instance, \$400 million for public debt, \$300 million to \$400 million for Family Allowance and present Old Age Pensions, and things of that order; we are now contemplating adding to that redistribution of income—because that is what it is—another \$250 million or \$260 million a year for universal old age pension security. Those are all items which are bound to give concern to any Minister of Finance. But I am of course an optimist on the future of Canada. I have no apprehension as to the capacity of the people of this country to carry whatever burdens they see fit to put upon themselves; but I think that in deciding to undertake any of these things we should appreciate that they have to be paid for and that they will come out of current expenditures. We are in an expansionist economy, and unless the world goes to pot I don't think there is much to worry about on the long pull.

The CHAIRMAN: I would quite agree with that; however, it is the short pull that is interesting to a great many people. Are there any other questions to be asked of Mr. Abbott? I dare say he could find other work to do.

Hon. Mr. ABBOTT: This is a lot more pleasant than some of it.

Hon. Mr. HAIG: Have you any more officials like Mr. Bryce?

Hon. Mr. ABBOTT: We have a number of such men.

Hon. Mr. HAIG: He is one of the ablest men that ever has been before this committee.

Hon. Mr. ABBOTT: I told him that some senators had mentioned to me how pleased they were at the information he gave them and the way he handled the situation. Mr. Bryce is a very able and devoted public servant. He has one of the hardest jobs in the department, being secretary of the Treasury Board. The work is very exacting, but he has an able staff under him and he is a hard worker himself. As you have seen he has capacity to be able to explain what it is all about in a very lucid way.

Hon. Mr. HAIG: He never once hid behind government policy. He would say, in effect, the government policy is so and so, but here is my idea. His evidence before the committee was most acceptable.

Hon. Mr. ABBOTT: But you did not find that any of his statements ran counter to announced government policy, for like all good civil servants he is still conscious of his duties and responsibilities to implement government policy and to assist in formulating it. He may advise his Minister, but once policy is determined, like any good civil servant, he does his best to implement it.

Hon. Mr. REID: I came to the conclusion that he carried considerable weight with government policy.

Hon. Mr. ABBOTT: Well, as in most things the people who have to take advice must be able to size up the people that are giving it to them and determine whether it is worthwhile.

Hon. Mr. PATERSON: Before Mr. Abbott goes, may I ask what proportion of the present budget would be spent in the Dominion of Canada and would be circulated and subject to income tax?

Hon. Mr. ABBOTT: I would hesitate, Senator, to give any view on that point, other than to say that a fairly substantial portion of it represents direct or indirect imports. I mean, in our defence program, for instance, it is inevitable that we have to buy a good many things either in the United Kingdom or in the United States. I will not attempt to put a percentage on it, but a very high proportion would be spent right here in the Dominion of Canada—a very large proportion of it for salaries and wages, family allowances, the payment of interest on public debt, the greater part of which is held in Canada, and so on.

Hon. Mr. PATERSON: The proportion of the expenditure which is made in Canada is not such a serious matter, because it is available for taxing back again.

Hon. Mr. ABBOTT: Yes. Of course we do not want to tax it any higher than we have to.

Hon. Mr. HAIG: I have one question I would like to ask. If you feel that it is not a proper one you do not have to answer it. You have a bill on income tax in the other place, and you made some change last night. Would you mind explaining to the committee the change you made regarding corporation taxes?

Hon. Mr. ABBOTT: That is quite proper. It is a matter of public information. Under the 20 per cent surcharge on corporation profits I had announced that that would not apply to the extent that it had the effect of reducing the corporation's profits below 5 per cent on capital employed. That involved arriving at a definition of what constitutes "capital employed". We have been working on that for months with all the best available assistance I could get, and as I explained in the Commons last night, I have just found that it is impossible at this time to arrive at a definition which will be fair to all taxpayers. So that has been dropped.

Hon. Mr. HAIG: Thank you.

Hon. Mr. ABBOTT: So the 20 per cent surcharge applies right across the board. As I said, I had in mind more particularly those corporations whose rates were publicly controlled. But it just won't work.

Hon. Mr. BURCHILL: There is a case in point as far as I am concerned. I am interested in a public utility company.

Hon. Mr. ABBOTT: I know.

Hon. Mr. BURCHILL: It went to the Public Utilities Board and made application for reduced rates to take care of a policy which was based, as far as we could see at the time, on present and future costs and so on. Those rates seemed to be a bit exorbitant in the light of all the information we had at the moment. But in view of the present budget we are right back in the red again, and we are in a position now where we have simply got to go right back again, repeat the process, and go back to the Public Utilities Board and ask for increased rates on account of the increased taxation.

Hon. Mr. ABBOTT: What so few people realize in connection with the increase in corporation taxes is that these taxes have to be passed on to the people who either buy the corporation's services or buy the commodities which it makes.

Hon. Mr. BURCHILL: Hear, hear.

Hon. Mr. ABBOTT: It cannot be otherwise. It is obvious. Some of it may be squeezed out of profits, of course, but in essence the tax has to be distributed over the corporation's customers. There cannot be any other way, because the corporation has not any other way to get money than from its customers. It is a soulless body; as the phrase goes, a creation of the law.

Hon. Mr. BURCHILL: We were hoping you would find a definition for that.

Hon. Mr. ABBOTT: Well, I did my best, but I failed.

Hon. Mr. HUGESSEN: I think the lawyers on the committee—

Hon. Mr. ABBOTT: —will appreciate why I failed? Yes, I think so. Those of us who had any experience of the excess profits tax during the war will realize that I meant well, but I could not do it.

Hon. Mr. HUGESSEN: As soon as I saw that announcement I thought you were asking for trouble.

Hon. Mr. ABBOTT: Yes. I had a try, but I could not get anywhere.

Hon. Mr. HAIG: I think we appreciate very much the Minister of Finance having come here and given us this fairly full and free discussion. I say for myself, and I think I can say for the committee, that we appreciate it very much, and I think I voice the views of all of us. We are not trying to criticize you, Mr. Abbott, we are not trying to boost you; we are just trying to get at the facts; and if we can in any possible way help you and help the government to reduce expenditures, if it is possible in any way, we want to look carefully at them with that in view.

Hon. Mr. ABBOTT: Thank you very much. I always enjoy coming here to these committees. I find the discussions are carried on in a very calm, objective way. It gives me an opportunity of explaining some of the problems we have and the reasons why I am doing some of these things.

Hon. Mr. BEAUBIEN: It is a good place to get facts.

The CHAIRMAN: Any further questions? If not, I think we may express our thanks to Mr. Abbott for giving us three-quarters of an hour, and hope to see him back again some time.

The Committee then adjourned.

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PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 12

Wednesday, June 20, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

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1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., Chairman

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Howden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien
Farquhar	McDonald	Veniot
Farris	McIntyre	Wilson
Fogo		

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF THE PROCEEDINGS

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 5.40 p.m.

Present: The Honourable Senators:—Crerar, Chairman; Beaubien, Bouffard, Burchill, Fogo, Golding, Howden, Lambert and Taylor—9.

Consideration of the order of reference of March 14, 1951, was concluded.

A draft report was considered and adopted.

At 5.50 p.m. the Committee adjourned to the call of the Chairman.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

The Standing Committee on Finance to whom was referred the Estimates laid before Parliament for the fiscal year ending March 31, 1952, have in obedience to the order of reference of March 14, 1951, examined the said Estimates and now beg leave to report as follows:—

The Main Estimates for Government expenditures in the present fiscal year that began April 1 were given to the House of Commons on March 12 and to the Senate a day or two later. On March 14 the Senate adopted the following Resolution:

ORDER OF REFERENCE

That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said Estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.

Prior to the Easter adjournment steps had been taken to secure from the appropriate Government Departments certain statistical data which were available to your Committee when it resumed its work at the beginning of May. An examination of these statistical data was decided upon, to ascertain as far as possible what effect government spending at all levels of government had on the rising cost-of-living, or in other words on the inflationary pressure that produced these rising costs.

With this end in view the Committee examined the totals of proposed Federal Government expenditures for the current year and noted the comparison of these expenditures with the fiscal year ending March 31, 1939, which was taken as a base year. The expenditures in the fiscal years ending 1950 and 1951 were also compared with the expenditures proposed for the fiscal year ending 1952, shown in the Estimates under consideration.

The data covering this are shown in Exhibit 1 appended to this report. This Exhibit is a summary of annual estimates by standard objects of expenditures and special categories:

- (a) The expenditures brought about through defence preparations are shown under the heading of "National Defence and Defence Production".
- (b) For Departments other than National Defence and Defence Production, which can be said to be the ordinary civilian expenses of Government.
- (c) A combination of these under the heading of "Totals for all Departments".

Explanatory notes of each of these items of expenditure are appended to Exhibit 1. The increases in practically all Departments of our Federal Government, even measured in 1939 dollars, are very significant. They should be a matter for concern and should be clearly studied in relation to the problem

of taxation and the increasing burden on our economy. An apparatus of Government whose costs increase more rapidly than the increase in population and the production of new wealth, can lead to serious dangers to the state as a whole.

Exhibit 2 shows the combined revenues and expenditures for all Governments in Canada, Federal, Provincial and Municipal, for the years 1939, again taken as a base year, and for 1948 and 1949. There is included also a similar preliminary estimate for 1950. It is important to point out here that the statement of revenue does not include inter-governmental transfers. For example, the Federal Government pays statutory subsidies to the Provinces and substantial sums under the fiscal agreements with the provinces who rented their right to collect income and corporation taxes to the Federal authority.

Your Committee desires to draw special attention to this statement, Exhibit 2. It indicates the sources from which revenues are secured by each of the levels of Government and also the purposes for which the revenue thus secured is expended. For illustration, it indicates the cost of servicing the overall public debt of Canada, which increased from approximately \$264 million in 1939 to over \$492 million in 1949, and is now well over \$500 million. Almost all of this increase was due to the expenditures incurred in the second world war. It also indicates the great increase in social service expenditures over the same period in the country's progress to the ideal of the welfare state. Under this heading the increase, exclusive of soldiers pensions and care, was from approximately \$208 million to over \$800 million in 1949. This type of expenditure continues to increase.

Exhibit 3 is a statement of national income and gross national product in each year from 1939 to 1950, with a few explanatory notes. It is important here to draw a distinction between gross national product and net national income. Gross national product is the gross income of all the people of Canada from all sources, which can be compared to the gross income of a business corporation or a farmer or a labouring man. To arrive at the net national income certain deductions must be made from the gross product. In the course of a year machinery employed has to be depreciated in value because it may become out of date, or because ordinary wear and tear makes it less valuable at the end of the year than at the beginning of the year. The same thing is true of houses and automobiles. When all of these and similar charges are put together they are deducted from the gross product and the result may be described as the net national income. From this total of national income of all the people in Canada their total living expenses have to be deducted and since Canadians enjoy a high standard of living this amount is the major item. In the second place, from the national income of all the people in Canada there has to be deducted the amount they pay in taxes to their various governments. Broadly speaking, what is left is the volume of savings, from which expansion and further development takes place, which may be invested in life insurance policies or annuities or retained by individual Canadians as a provision against a rainy day. It is a matter for concern that in the past few years personal savings have shown a rather marked tendency to decline in volume. In his recent budget speech the Finance Minister drew attention to the importance of this matter of personal savings in the following words.

"It is to the interest of every Canadian to make the maximum effort to save, or to increase the level of his saving, as a direct contribution to the avoidance of inflation and the successful prosecution of the defence program. The money saved can be used to buy Canada savings bonds, or to pay off the mortgage on his house or farm more rapidly, or to speed up the repayment of other debts, or to increase his savings in any

other form that suits his individual circumstances. The important thing is to achieve an increase in aggregate saving up to a level at least equal to the new capital investment which we shall have to make this year."

Your Committee considered it of first importance that individual Canadians as far as possible get a clear understanding of what this means. If individual Canadians spend their substance foolishly or unwisely, if they are lazy and thriftless, without any doubt they create problems for themselves and for their governments. If governments, in response to public pressures, spend money foolishly or unnecessarily, they put heavier burdens on taxpayers and create political discontent and unrest. If political parties try to rival each other, in promises to the electorate, seeking in this way to gain political support, they are doing a real disservice to our country. The easy road is rarely a wise or prudent one to follow. Scarcely a week passes without some group of people, or some organization, pressing upon some government, somewhere in Canada, some project for spending more public money. The result of this is that we have reached a stage in practically all levels of Government in Canada where those in authority are seeking some new tax, hidden or unhidden, through which they can meet the demands made upon them. This course, if persisted in, is fatal to our well being as a people.

As a result of much loose talking and superficial thinking, the notion has grown alarmingly in the minds of a great many people that governments get their money in some mysterious fashion; that part of the responsibility of governments is to solve the problems of communities and individuals which these communities and individuals should solve for themselves. In this way individual self-reliance and initiative is undermined. The wilderness which a few hundred years ago was the Canada we know today was not developed in this way.

In the judgment of your Committee the steady growth that has been apparent now for quite a number of years, of dependence upon the state, can lead to only one of two results: Either in a steady increase in the power of the state over the right of the citizens, or the breakdown of democratic representative government as we have understood it and practised it in the past. The lessons of history in this respect are clear for all to read.

In Exhibit 4 is given a table of the number of Civil Service employees of the Government of Canada, again taking 1939 as a base year and giving the numbers for the years 1948-49-50-51. A cool examination of this table will convey an idea of the growth in government services. It was of course inevitable during the war years that there would be great expansion in the number of government servants, but one could have hoped that in the years following the war, and especially five years after the war was over, that the number would have diminished. Instead of this there has been a steady expansion. Your Committee had not the data available of the trends in this respect at other levels of government of Canada, that is provincial and municipal, but it believes that these other levels of government would show quite substantial increases also.

Exhibit 5 shows the movement of the cost-of-living index. This index has shown an alarming increase since the end of World War 2. It is the visual evidence of inflationary processes that are working in the Canadian economy. This condition is not alone the experience of Canada. It is a problem that is met with today in every democratic country in the world. The cause of this inflation can be stated briefly as too much spending against too few goods. There is no doubt that the methods necessary in financing World War 2 created

tremendous inflationary pressures. This has been the experience of all wars of any magnitude; but because World War 2 was world wide in the incidence of the struggle, these pressures were generated on a scale never before experienced; and the reason is simple. War is a terribly destructive thing in its effect on any economy. It creates tremendous expansion of credit and money and democratic peoples have not yet learned the lesson of the great dangers inherent in this, and lack the self-discipline necessary to get back again on to solid ground. Moreover, it must be said that the financial policies followed by governments since the end of the war were not always wisely directed to bring this lurking menace under effective control.

During the war all economic activities rightly were directed to winning the war; but this process continued over four years created an immense void throughout the world of consumer goods of all kinds. There was superimposed upon this, greatly expanded social welfare expenditures. In other words, payments by governments out of their treasuries for social welfare budgets of one kind and another. Your Committee is not discussing here the necessity or otherwise of these expenditures; but it ventures to say that their effect in producing additional inflationary pressures cannot be successfully challenged.

Another important point may be noted here. If labour costs rise, without an equivalent increase in production per unit of labour, these increased costs are almost always added to the cost of goods or services, and thus in effect are inflationary. As at end of May the cost of living had increased 82 per cent in the last twelve years. The general index for wages, according to a recent release from the Minister of Labour, stood at 225.5 for April 1951 compared with 100 in 1939. The Finance Minister in his recent budget speech stated "Statistics and charts in the white paper I have tabled indicate that there has been no measurable increase in per capita productivity during the past five years." It would thus appear that the increase in productivity that has taken place, has been due almost wholly to the increase in the labour force at work. If wages rise without a corresponding increase in productivity the effect of this is bound to be inflationary on prices. No solution can be found in prices chasing wages and wages chasing prices in a dizzy spiral that has already reached a dangerous height.

Business corporations large and small and business concerns of individuals seek to protect themselves against rising costs, whether from labour costs or government taxes of various kinds, by putting them into the price the consumer pays.

The extent of this inflation can be measured in another way. In 1950 our gross national production reached almost eighteen billion dollars. Measured in terms of 1939 dollars, it would have been slightly less than ten billions. This indicates how inflation can deceive us and distort the perspective of our economy. There can be no doubt that the inflation that has taken place in our economy in recent years is a very serious thing. A rising inflation in a country's economy is like a deadly unknown virus in the bloodstream of an individual. When inflationary pressures are at work it is of vital importance that Governments, at all levels, practice the most rigid economy and above all avoid going further into debt. There is little point in their urging individual citizens to economize if they do not themselves set a good example.

Your Committee pays a compliment to the Minister of Finance for the warning he gave in his budget speech on the grave dangers that are lurking, unsuspected by the vast majority of Canadians, in these inflationary processes that are at work. The white paper given to Parliament at the time the budget speech was delivered gave a vast amount of very useful information to Parlia-

ment. Any member of Parliament, or any other citizen who studies it can get a fair knowledge of the working of the Canadian economy. Difficult as it may be for the people in a democratic society to interest themselves in this matter, a clear understanding of it is vital to the maintenance of our so-called way of life.

In his budget speech the Finance Minister indicated his expectation that our gross national product in the present fiscal year would be about twenty billion dollars. This should give a net national income of at least sixteen billion dollars. The information given your Committee indicates that expenditures of all governments, Federal, Provincial and Municipal this year will be over five billions. In other words, approximately one-third of the net national income of all Canadians will be paid to their governments in taxes. Here the big item of increase is of course the increased defence expenditures, which, in the state of the world today, cannot be avoided. As a result of this heavy load of taxation, combined with the high standard of living we are endeavouring to maintain as a people, the volume of savings out of which new development must take place, as already indicated, is shrinking in an alarming way. The stern necessity rests upon governments and upon individual Canadian citizens in these dangerous days through which we are passing to economize in their expenditures. The people must be encouraged to build up their savings. The proposed pension legislation that everyone appears to be clamouring for, will probably add four hundred million dollars to our total of expenditures, and the greater part of this, for many years to come, will have to be met out of current production. No one can accurately forecast the future, but we do know that the grim depression of the thirty's was set in motion by the collapse of an inflationary boom present in the world for the previous eight or ten years. There is no question that the Canadian economy cannot avoid being profoundly affected by what happens in other countries and especially today in the United States. The uncertainty of what lies ahead is the strongest possible reason to guard against building an edifice of fixed expenditures which, if dark days should come upon us, our economy could not possibly carry.

It is important that the Canadian people realize that inflation, in the sense of its impact upon our daily living and the uncertainty and fear it generates as to what may happen in the future, can have a paralyzing effect not only on our economy, but as well upon the steadiness of thinking in the individual citizen, that is the mainspring of what we describe as our democratic way of life. We need a clear understanding that this danger if allowed to proceed unchecked will bring serious and grave hardships to hundreds of thousands of our people. It thus becomes the duty of every citizen to do, as far as he can, his part in combating it. To that end he must understand that an increase in our savings and an increase in production of goods and services is a vitally important matter.

Most human beings would like to maintain or increase their standard of living by working fewer hours per day, or week or month, and at the same time increase the returns they get for their contribution to our society. But if an individual works fewer hours per week and does not produce the same volume of product that he produced working longer hours per week, and if he gets a higher monthly return for this reduced volume of production, then without any question prices will tend to rise and thus the flames of inflation are fed and grow. And if any section of our community increases the share it gets out of the total productive effort then some other section of the community has of necessity to take less. It is a lamentable fact that the worthy citizens who tried to protect their future needs by saving, by life insurance or annuities, are today the people who are suffering most grievously, for the simple reason that inflation has produced a condition where the income derived from savings

or life insurance or annuities buys little more than half of the things it would have bought twelve years ago. Year by year his position has been growing worse. Suggestions have been made that governments can control this by taking full and ample power to direct and supervise the day to day living of the ordinary citizens. Russia is probably the supreme example today of this kind of government control. Here criticism of the government is forbidden. The press can publish only what the government ordains. Freedom of speech, freedom of worship, indeed freedom in any of its aspects, disappears. The state, as represented in the few people who govern it, becomes the all-powerful agent. Initiative, self-reliance and all the other virtues we associate with high character in the individual disappears and the human family in such a state sinks gradually and inexorably to lower and lower levels, spiritually and materially.

These may be regarded as strong words and not appropriate for a report of this kind, but your Committee feels that they are facts that should be pondered and weighed by every citizen. Governments of course have their special responsibilities. They are the ones to whom people look for leadership. The people also have their responsibilities and the most important is that they do not press their governments into unwise policies and unwise expenditures. Indeed, they have another responsibility, and that is through the agencies of the press and public opinion to check and admonish governments when they pursue unwise policies or unwise expenditures.

Your Committee suggests that the Government should keep to the lowest point possible all capital expenditures of every kind excepting those essential to defence, to provide the minimum of housing necessary and those expenditures that are normally directed to increasing the production of goods and services required by the Canadian people. Where expenditures are made on any of these items, including defence spending, efficiency and economy consistent with attaining the end in view should be the watchwords guiding them.

Your Committee would suggest further that the Federal Government as the senior government, should seek the co-operation of the provincial and municipal governments to adopt this same policy. It is true that these governments are largely sovereign in their own spheres of government, but we venture to say that their assistance should be sought and, in as large a measure as possible, secured.

Your Committee concludes its report with this observation. In its judgment no finer body of citizens exist in any country than is to be found in Canada. The proof lies in what they have achieved in the eighty years since the scattered colonies that then existed in what is now Canada were brought together in one confederation. In this eighty odd years half a continent has been developed. The necessary organs of government have been created. Educational opportunities through the development of schools and universities have marched forward with the needs of the people. Our standard of living is as high as in any country in the world, measured by the indices that measure a standard of living. No country in the world provides greater opportunities to the young and daring. The virtues of self-reliance and initiative and sympathy and forbearance, and a sense of justice and fair play have made the Canadian people what they are today. One of the supreme responsibilities of all governments is to exercise wisely their power and influence to maintain and further develop these virtues, for the character of a nation is but the sum total of the character of its citizens.

Your Committee wishes to express its thanks to the witnesses who appeared before it for the assistance they gave the Committee in carrying out its work.

All of which is respectfully submitted.

T. A. CRERAR,
Chairman.

EXHIBIT No. 1

SUMMARY OF ANNUAL ESTIMATES BY STANDARD OBJECTS OF EXPENDITURES AND SPECIAL CATEGORIES

NATIONAL DEFENCE AND *DEFENCE PRODUCTION

	1938-39 (000's omitted)	1949-50 (000's omitted)	1950-51 (000's omitted)	1951-52 (000's omitted)
(1) Civil Salaries and Wages.....	\$ 2,586	\$ 41,611	\$ 44,625	\$ 61,035
(2) Civilian Allowances.....	2	316	487	1,191
(3) Pay and Allowances Defence Forces, and R.C.M. Police.....	11,395	112,526	138,346	209,184
(4) Professional and Special Services.....	198	3,897	4,822	8,771
(5) Travelling and Removal Expenses.....	1,101	10,964	13,985	22,363
(6) Freight, Express and Cartage.....	167	5,974	8,660	10,935
(7) Postage.....	6	253	255	483
(8) Telephones, Telegrams, and Other Communica- tion Services.....	57	2,074	2,409	3,689
(9) Printing of Departmental Reports and Other Publications.....		1,276	1,381	2,269
(10) Films, Displays, Broadcasting, Advertising, etc.	5	1,022	1,995	3,862
(11) Office Stationery, Supplies, Equipment and Furnishings.....	232	1,622	2,488	6,327
(12) Materials and Supplies.....	190	64,568	108,225	375,918
Buildings and Works, including Land—				
(13) Acquisition and Construction.....	4,261	52,384	57,750	362,767
(14) Repairs and Upkeep.....	1,046	15,448	20,537	30,334
(15) Rental.....		840	974	1,086
Equipment—				
(16) Acquisition and Construction.....	12,265	73,988	127,142	737,444
(17) Repairs and Upkeep.....	588	45,604	62,074	131,333
(18) Rentals.....		2,964	3,402	3,702
(19) Municipal and Public Utility Services.....		1,383	4,190	2,320
(20) Grants, Subsidies, etc., not included elsewhere..	104	14,365	16,163	22,214
(21) Pensions, Superannuation and Other Benefits...	2			
(22) All Other Expenditures (other than Special Cate- gories).....	1,772	6,838	205,859	180,096
Total Standard Objects.....	\$ 35,967	\$ 459,957	\$ 825,769	\$2,177,323
(23)-(33) Special Categories.....				
Total Standard Objects and Special Categories.....	\$ 35,967	\$ 459,957	\$ 825,769	\$2,177,323
(34) Less Estimated Savings and Recoverable Items..		68,823	55,186	513,111
Net Total Estimated Expenditures.....	\$ 35,967	\$ 391,134	\$ 770,583	\$1,664,212

* No provision for Defence Production during 1938-39. For 1949-50, only Canadian Arsenals, Limited, is included in the figures in this table.

DEPARTMENTS OTHER THAN NATIONAL DEFENCE AND DEFENCE PRODUCTION

	1938-39 (000's omitted)	1949-50 (000's omitted)	1950-51 (000's omitted)	1951-52 (000's omitted)
(1) Civil salaries and wages.....	\$ 74,271	\$ 276,741	\$ 282,157	\$ 301,856
(2) Civilian allowances.....	1,183	5,172	5,964	6,393
(3) Pay and allowances, R.C.M. Police.....	3,750	8,227	10,157	14,588
(4) Professional and special services.....	4,104	22,155	24,041	26,676
(5) Travelling and removal expenses.....	3,504	12,808	13,802	13,946
(6) Freight, express and cartage.....	479	2,097	2,159	2,379
(7) Postage.....	449	2,918	3,092	3,023
(8) Telephones, telegrams and other communica- tion services.....	689	4,475	4,635	4,859
(9) Printing of departmental reports and other publi- cations.....	1,794	3,950	4,018	3,905
(10) Films, displays, broadcasting, advertising, etc....	1,794	4,373	5,083	4,850
(11) Office stationery, supplies, equipment and fur- nishings.....	2,464	11,356	11,500	11,235
(12) Materials and supplies.....	5,957	32,920	37,601	39,438
<i>Buildings and works, including land</i>				
(13) Acquisition and construction.....	30,631	144,949	145,634	114,252
(14) Repairs and upkeep.....	2,958	15,103	18,944	15,643
(15) Rentals.....	1,763	7,194	8,031	8,034
<i>Equipment</i>				
(16) Acquisition and construction.....	2,013	16,482	19,200	15,695
(17) Repairs and upkeep.....	584	4,386	5,017	5,056
(18) Rentals.....	924	597	886	774
(19) Municipal and public utility services.....	924	4,371	5,334	5,717
(20) Grants, subsidies, etc., not included elsewhere....	50,629	116,023	105,591	60,163
(21) Pensions, superannuation and other benefits.....	5,446	9,168	11,132	12,406
(22) All other expenditure (other than special cate- gories).....	12,254	33,471	19,175	14,319
Total standard objects.....	\$ 205,846	\$ 738,936	\$ 743,153	\$ 685,207
<i>Special categories</i>				
(23) Interest on public debt and other debt charges....	132,368	451,441	433,046	437,642
(24) Subsidies and special payments to the provinces....	21,210	127,365	106,335	115,135
(25) Family Allowance payments.....	30,541	284,880	307,000	320,000
(26) Old Age Pensions, including pensions to blind....	30,541	74,646	104,697	111,350
(27) Veterans disability pensions and other payments under the Pension Act.....	40,920	101,589	99,739	97,105
(28) Other payments to veterans and dependents.....	9,445	92,929	63,575	54,156
(29) Government's contribution to the Unemploy- ment Insurance Fund.....	.....	23,000	23,000	27,500
(30) General health grants.....	.....	33,200	25,000	25,000
(31) Trans-Canada Highway contributions.....	.....	.....	20,250	15,000
(32) Movement of mail by land, air and water (Post Office).....	15,574	34,104	33,557	36,471
(33) Deficits—Government owned enterprises.....	57,185	49,407	3,238	2,604
Total special categories.....	\$ 307,243	\$1,272,561	\$1,219,437	\$1,241,963
Total standard objects and special categories.....	513,089	2,011,497	1,962,590	1,927,170
(34) Less estimated savings and recoverable items....	104	2,582	4,618	4,466
Net total estimated expenditures.....	\$ 512,985	\$2,008,915	\$1,957,972	\$1,922,704

STANDING COMMITTEE

TOTAL, ALL DEPARTMENTS

	1938-39 (000's omitted)	1949-50 (000's omitted)	1950-51 (000's omitted)	1951-52 (000's omitted)
(1) Civil Salaries and Wages.....	\$ 76,857	\$ 318,352	\$ 326,782	\$ 362,891
(2) Civilian Allowances.....	1,185	5,488	6,451	7,584
(3) Pay and Allowances, Defence Forces and R.C.M. Police.....	15,145	120,753	148,503	223,772
(4) Professional and Special Services.....	4,302	26,052	28,863	35,447
(5) Travelling and Removal Expenses.....	4,605	23,772	27,787	36,309
(6) Freight, Express and Cartage.....	646	8,071	10,819	13,314
(7) Postage.....	455	3,171	3,347	3,506
(8) Telephones, Telegrams and other Communication Services.....	746	6,549	7,044	8,548
(9) Printing of Departmental Reports and other publications.....		5,226	5,399	6,174
(10) Films, Displays, Broadcasting, Advertising, etc.	1,799	5,395	7,078	8,712
(11) Office Stationery, Supplies, Equipment and Fur- nishings.....	2,696	13,018	13,988	17,562
(12) Materials and Supplies.....	6,147	97,488	145,826	415,356
<i>Buildings and Works, including Land—</i>				
(13) Acquisition and Construction.....	34,892	197,333	203,384	477,019
(14) Repairs and Upkeep.....	4,004	30,551	39,481	45,977
(15) Rentals.....	1,763	7,034	9,005	9,120
<i>Equipment—</i>				
(16) Acquisition and Construction.....	14,278	90,470	146,342	753,139
(17) Repairs and Upkeep.....	1,172	49,990	67,091	136,389
(18) Rentals.....		597	886	774
(19) Municipal and Public Utility Services.....	924	8,335	8,736	9,419
(20) Grants, Subsidies, etc., Not included Elsewhere.	50,733	117,406	109,781	62,483
(21) Pensions, Superannuation and Other Benefits.....	5,448	23,533	27,295	34,620
(22) All other Expenditures (Other than Special Categories).....	14,016	40,309	225,034	194,415
Total Standard Objects.....	\$ 241,813	\$1,198,893	\$1,568,922	\$2,862,530
<i>Special Categories—</i>				
(23) Interest on Public Debt and other Debt Charges.	\$ 132,368	\$ 451,441	\$ 433,046	\$ 437,642
(24) Subsidies and Special Payments to the Provinces.	21,210	127,365	106,335	115,135
(25) Family Allowance Payments.....		284,880	307,000	320,000
(26) Old Age Pensions, including Pensions to the Blind.	30,541	74,646	104,697	111,350
(27) Veterans Disability Pensions and Other Pay- ments under the Pension Act.....	40,920	101,589	99,739	97,105
(28) Other Payments to Veterans and Dependents....	9,445	92,929	63,575	54,156
(29) Government's Contribution to the Unemploy- ment Insurance Fund.....		23,000	23,000	27,500
(30) General Health Grants.....		33,200	25,000	25,000
(31) Trans-Canada Highway Contributions.....			20,250	15,000
(32) Movement of Mail by Land, Air and Water (Post Office).....	15,574	34,104	33,557	36,471
(33) Deficits—Government Owned Enterprises.....	57,185	49,407	3,238	2,604
Total Special Categories.....	307,243	1,272,561	1,219,437	1,241,963
Total Standard Objects and Special Categories..	549,056	2,471,454	2,788,359	4,104,493
(34) Less Estimated Savings and Recoverable Items.	104	71,405	59,804	517,577
Net Total Estimated Expenditures.....	\$ 548,952	\$2,400,049	\$2,728,555	\$3,586,916

EXPLANATORY NOTES COVERING THE STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

STANDARD OBJECTS (Items 1 to 22)

1. *Civil Salaries and Wages*

Includes salaries and wages of all civilian full time, part time, seasonal and casual personnel normally considered as "Government Employees" (but does not include employees of Crown Companies and such Agencies) whether paid at hourly, daily, weekly, monthly or annual rates of pay and includes overtime or any other special pay. It also includes Judges' salaries, those of the Governor General and Lieutenant Governors and the indemnities to Members of both Houses of Parliament but does not include workers taken on for specific works projects where wages and all other costs would enter into the total cost of the project.

2. *Civilian Allowances*

Includes Living Allowances, Special Stenographic Allowances, Living and Representation Allowances Abroad, Special Service Allowances, Mileage Allowances to Railway Mail Service Staffs, Allowances for Assistants, Northern Allowances, Isolation Allowances, Board and Subsistence Allowances and other such allowances for civilian Government Employees. Also includes Ministers' Motor Car Allowances and the Expense Allowances to Senators and Members of the House of Commons.

3. *Pay and Allowances—Defence Forces and R.C.M. Police*

Includes Pay and all types of allowances (except travel allowances included in Item No. 5 below) payable to members of the Defence Forces and the Royal Canadian Mounted Police, including Subsistence Allowances and other perquisites common to such Services.

4. *Professional and Special Services*

Includes all expenditures in the nature of fees, commissions, etc., for professional and special services, such as Outside Medical, Dental and Legal Services; Architects, Consulting Engineers and Analysts' fees; Corps of Commissioners Services, Accountants, Outside Reporting Services, Outside Doctors and Nurses for Veterans' Treatment and Examination of Pension Applicants and other Outside Technical, Professional and Other Expert Assistance, Outside Hospital Treatment and Care, Payments to Church Organizations for Indian Education, Annuities and Other Agents paid on a fee or commission basis, outside translations and writers' fees, and all other outside Services. It includes Operational and Maintenance Services performed under contract other than those more properly classified under other more specific Objects, such as the Marconi-operated Radio Stations of the Department of Transport which are included in Item No. 8, "Telephones, Telegrams and Other Communication Services".

5. *Travelling and Removal Expenses*

Includes Travelling, Transportation and Removal Expenses of Government Employees, Members of the Defence Forces and the Royal Canadian Mounted Police. It includes living and other expenses of such persons on travel status, Judges' travelling expenses and travelling expenses and allowances payable to Senators and Members of the House of Commons. Also includes transporta-

tion of persons by contract and chartered flights, automobile mileage, aeroplane fares, local transportation, etc. Does not include Travelling and Transportation of other than Government Employees such as Deports, Applicants for Treatment or Pensions (Veterans), etc., which are classified under item No. 22, "All Other Expenditures".

6. *Freight, Express and Cartage*

Includes cost of transporting all types of supplies, materials and equipment, etc., from the movement of mails from city Post Offices to the various Government Departments to the movement of heavy equipment between camps and other establishments of the Defence Services. Movements of material and supplies for works projects would normally be included in the cost of the project. Movement of mails for the Post Office Department by Railway, Boat, Air and Rural Mail Delivery, is classed separately under Item No. 32 below.

7. *Postage*

Includes ordinary postage, air mail, registered mail, special delivery mail, Post Office Box rentals and any other forms of postal communication. Does not, of course, include provision for mail enjoying the "frank" privilege.

8. *Telephones, Telegrams and Other Communication Services*

Includes all costs of communication services by telephone, telegram, cable, teletype, radio and wireless communication, courier services, and includes tolls, rates, rentals and other communication costs such as Courier Service provided by Outside Agencies and Communication Services performed under contract such as the Marconi-operated Radio Stations of the Department of Transport.

9. *Printing of Departmental Reports and Other Publications*

Includes printing, binding, engraving, lithographing, etc., of all Departmental Reports and Other Publications, including Informational and Educational bulletins, pamphlets and other publications respecting matters of a National interest; publications on scientific and technical matters, natural resources, statistics and other such material; *Hansard* and other Parliamentary Papers. The printing of forms and other stationery is included in Item No. 11.

10. *Films, Displays, Advertising and Other Informational Publicity with the exception of Publications*

Includes provision for Films, Displays and other Visual Materials; Advertising for publicity and general purposes such as for bids, tenders, purchase or sale of properties and publication of proclamations, announcements, notices, etc., and other forms of educational and informational publicity by Radio, Poster, Press and other means. Total provision for the National Film Board is coded to this Item.

11. *Office Stationery, Supplies, Equipment and Furnishings*

Includes stationery, envelopes, blotting paper and other office supplies such as pens, pencils, erasers, ink, etc.; drafting and artists supplies; printed forms and letterheads; ledger sheets; carbon paper, stencils and other paper supplies; the purchase, repairs and rentals of office appliances, typewriters, adding machines, calculators, recording machines, tabulating machines, machine records and all other office equipment; also includes desks, chairs, tables, filing cabinets and such office furnishings.

12. Materials and Supplies

Includes expenditures for Materials and Supplies required for normal operation and maintenance of Government Services, other than Stationery and Office Supplies and furnishings, such as fuel for ships, planes, transport, heating, etc.; feed for livestock; food and other supplies for ships and other establishments; livestock purchased for ultimate consumption; seed for farming operations; food, clothing and other supplies for sick and indigent Indians; uniforms and kits; coining and refining supplies for the Mint; laboratory and scientific supplies; supplies for surveys, investigations, etc.; chemicals; hospital, surgical and medical supplies; mail bags for transportation of the mails; char service supplies, lumber and other building materials required in the ordinary minor repair, maintenance and upkeep of public buildings and works (as distinct from more or less capital improvement and repair projects specifically provided for); coal, wood and electrical supplies, and all other materials and supplies other than those purchased for a particular construction or repair project which would ordinarily be charged to such project.

13. Acquisition or Construction of Buildings and Works, including Acquisition of Land

Includes provision for all expenditures on new construction of buildings, roads, irrigation works, canals, airports, wharfs, bridges or other such type of fixed asset. It includes major improvements involving changes of a structural nature and also the installed cost of fixed equipment which is essentially a part of the structure such as elevators, heating and ventilating equipment, etc. Also included is provision for the purchase of land.

14. Repairs and Upkeep of Buildings and Works

Includes materials and other costs entering directly into the cost of major or extraordinary repair and upkeep of the type of durable physical assets indicated under Item No. 13 above (as distinct from ordinary minor repair and upkeep works undertaken by a Department with its own staff in the normal course of its functions).

15. Rentals of Land, Buildings and Works

Includes provision for rentals of properties required for special purposes by the various Departments, and for accommodation of Government Offices and Services by the Department of Public Works.

16. Acquisition or Construction of Equipment

Includes all new items of machinery and equipment, other than office equipment, and includes motor vehicles, aeroplanes, tractors, road equipment, laboratory and other scientific equipment, vessels, icebreakers, and other aids to navigation and all other types of light and heavy equipment and includes various types of such equipment for National Defence, such as ships, aircraft, mechanical equipment, fighting vehicles, weapons, engines and spares, etc. Also included are livestock, horses and dogs purchased for employment as such rather than for ultimate consumption. (See Item No. 12 above).

17. Repairs and Upkeep of Equipment

Includes all materials, repair parts and other costs entering directly into the cost of repair and upkeep of the equipment indicated in Item No. 16 above.

18. *Rentals of Equipment*

Includes provision for hire and charter of vessels and aircraft for other than "Travelling"; Plant and Equipment; and all other equipment rentals other than office machines and equipment which are included under Item No. 11, "Office Stationery, Supplies, Equipment and Furnishings".

19. *Municipal or Public Utility Services*

Includes provision for all expenditures incurred for the supply of water, electricity, gas, etc., such as water rates, light, power and gas services; taxes and water rates on diplomatic properties, and charges of that nature. Also includes payments to Municipalities in lieu of Taxes.

20. *Contributions, Grants, Subsidies, etc., Not included Elsewhere*

Includes provision for Canadian participation in International and Commonwealth Organizations; contributions of Canada's proportionate share of the cost of International Organizations; payments of grants to organizations such as the Boy Scouts Association, the Girl Guides, Agricultural Organizations, Health and Welfare Organizations and other payments of that nature; Subsidies such as Assistance to encourage the improvement of cheese and cheese factories; Contributions under Agreements with the Provinces for Vocational Training, payments made under the Maritime Freight Rates Act, membership, scholarships, etc. Does not include Grants to Municipalities in lieu of taxes (Item No. 19), Subsidies and Special Payments to Provinces (Item No. 24), Government's Contribution to the Unemployment Insurance Fund (Item No. 29), General Health Grants (Item No. 30), Trans-Canada Highway Contributions (Item No. 31), Deficits—Government-Owned Enterprises (Item No. 33).

21. *Pensions, Superannuation and Other Benefits in respect of Personal Services*

Includes pensions, superannuation and other benefits to former civilian employees, and members of the Royal Canadian Mounted Police, or their dependents. It includes also payment of compensation under the Government Employees Compensation Act; Government's contribution to the Superannuation Fund; Judges Pensions; Gratuities to families of deceased employees; and payments under the Militia Pension Act and the Government's contribution as an employer to the Unemployment Insurance Fund. It does not, however, include the Government's contribution to the Unemployment Insurance Fund which represents one-fifth of the net amount contributed by employers and employees combined (Item No. 29); Disability Pensions in respect of World Wars 1 and 2 (Item No. 27) nor Other Payments to Veterans and Dependents (Item No. 28).

22. *All Other Expenditures (Other than Special Categories)*

Includes minor residue items shown as "Sundries" in practically all votes. These include such costs as towel service; laundry; subscriptions to newspapers and periodicals; soap; and other small miscellaneous articles and services. Also included is provision for many items and services detailed throughout the Estimates and which do not lend themselves to distribution under the specific headings detailed in this Summary.

SPECIAL CATEGORIES (Items 23 to 33)

23. *Interest on Public Debt and other Debt Charges*

Includes interest on the Funded Debt of Canada (including Treasury Bills) and on other liabilities such as Trust and Other Special Funds. It also includes costs of issuing new loans, Annual Amortization of Bond Discount, Premiums and Commissions, and other costs of servicing the Public Debt.

24. Subsidies and Special Payments to the Provinces

Includes Provincial Subsidies payable under the British North America Act and subsequent arrangements; Special Compensation to the Provinces in lieu of certain taxes as provided in the Dominion-Provincial Tax Rental Agreements. It also includes certain payments to Newfoundland under the Terms of Union. In general, it does not include payments made to Provinces for expenditure for specific purposes, some of which are included in Items Nos. 20, 26, 30 and 31.

25. Family Allowance Payments

Payments of monthly allowances authorized by the Family Allowances Act—Chap. 40, Statutes of 1944-45 (as amended).

26. Old Age Pensions, including Pensions to the Blind

Includes payment of the Dominion's 75 per cent share of pensions payable under authority of the Old Age Pension Act—R.S.C. Chap. 156 (as amended) and payments in the nature of pensions to aged Indians.

27. Veterans Disability Pensions and Other Payments under the Pension Act

Includes pensions and other payments authorized under the Pension Act, the Civilian War Pensions and Allowances Act and the Civilian Government Employees (War) Compensation Order. This covers both Wars 1 and 2 and includes a small amount in respect of the Northwest Rebellion of 1885.

28. Other Payments to Veterans and Dependents

Includes provision for War Veterans Allowances, including the Assistance Fund, Veterans Hospital and Other Allowances, Unemployment Assistance for Veterans, Post Discharge Rehabilitation Benefits, War Service Gratuities, Re-establishment Credits, and other Sundry Items.

29. Government's Contribution to the Unemployment Insurance Fund

Provides for the Government's Contribution to the Unemployment Insurance Fund and represents one-fifth of the net amount contributed by employers and employees combined.

30. General Health Grants

Provides for general health grants to the Provinces under terms and conditions approved by the Governor in Council to assist in health surveys, hospital construction, strengthening general public health services, eradication of tuberculosis, prevention of mental illness, control of venereal diseases, prevention and correction of crippling conditions in children, training of public health and hospital personnel, public health research and programs for cancer control.

31. Trans-Canada Highway Contributions

Covers payments to those Provinces which have entered into agreements with the Federal Government under the Trans-Canada Highway Act, Chap. 40, Statutes of 1949, in respect of the construction of the Trans-Canada Highway.

32. Movement of Mail by Land, Air and Water (Post Office)

Includes provision under the Post Office Department for Mail Service by Railway, by Steamboat, by Air and by Ordinary Land Conveyance, including Rural Mail Delivery.

33. *Deficits—Government Owned Enterprises*

Includes provision for the Deficits incurred in the operation of the Hudson Bay Railway, the Northwest Communications System, the Prince Edward Island Car Ferry and Terminals, the Canadian National (West Indies) Steamships, Limited, Churchill Harbour, and the Canadian Broadcasting Corporation.

34. *Less Estimated Savings and Recoverable Items*

In certain special instances it is necessary for commitment and control purposes to detail total requirements of services but, in order that the actual amount of cash requirement only may be voted, deductions are made of estimated savings or recoverable amounts. Since the Standard Objects are made up of the gross requirements, the total of these Objects must be reduced by these deductions in order to arrive at the net total amount provided in the Estimates.

COMBINED REVENUES—ALL GOVERNMENTS IN CANADA FOR 1939, 1948 AND 1949 EXHIBIT No. 2

SUMMARY BY SOURCES

Fiscal Years Ended Nearest December 31

(Thousands of Dollars)

Item No.		Total			Dominion			Provincial			Municipal			Item No.
		1939	1948	1949 ¹	1939	1948	1949	1939	1948	1949 ¹	1939	1948	1949 ¹	
	Taxes:													
1	Income and Corporation Taxes—													1
2	Personal Income Tax.....	60,678	762,749	622,012	45,407	762,563	621,982	12,113	186	30	3,158			2
3	Corporate Income Taxes.....	89,452	623,029	702,876	77,920	536,782	601,415	11,082	86,247	101,461	450			3
3	Other Corporation Taxes.....	23,153	23,267	24,661	1,875 ⁴	3,505 ²	3,900 ²	21,278	17,762	20,761				4
4	Withholding Tax.....	11,122	43,445	47,475	11,122 ³	43,445 ³	47,457 ³							5
5	Sub-Total (Items 1 to 4).....	184,405	1,452,490	1,397,024	136,324	1,346,295	1,274,772	44,473	106,195	122,252	3,608			6
6	Succession Duties.....	27,850	54,672	58,391		25,550	20,920	27,850	29,122	28,471				7
7	Real and Personal Property.....	248,322	541,265	375,501				5,504	4,709	4,779	243,418	336,556	370,722	8
8	Customs Duties and Other Import Taxes.....	106,819	223,786	226,403	106,819	223,786	226,403							9
9	Excise Duties and Sales Taxes—													10
10	Gasoline Tax.....	53,069	124,305	136,601				53,069	124,305	136,601				11
11	Liquor including Liquor Control.....	34,423	229,732	237,876	21,014	100,875	107,077	33,409	128,837	130,799				12
12	Tobacco.....	42,447	139,368	216,701	42,447	150,501	207,234	8,897	9,557	9,557				13
13	General Sales Tax.....	144,801	440,592	478,718	137,446	377,303	403,437	2,717	48,351	59,274	4,698	14,848	16,007	14
13	Amusement Tax.....	2,615	13,735	17,571		2,588		2,615	17,147	17,571				15
14	Other Commodities and Services.....	24,175	169,244	74,274	24,175 ⁵	169,244 ⁴	74,274	2,624	7,324	7,785	22,923	41,147	46,768	16
15	Other Taxes.....	25,547	48,471	54,553										17
16	Sub-Total (Items 5 to 15).....	915,133	3,303,580	3,273,703	468,225	2,436,142	2,323,117	172,261	474,887	517,080	274,647	392,551	433,497	18
17	Licences, Permits and Fees—													19
18	Motor Vehicle.....	28,092	51,471	55,939				28,092	51,471	55,939				20
18	Other.....	18,498	30,793	32,656	2,542	2,977	3,430	8,975	16,118	16,356	6,981	11,698	12,870	21
19	Sub-Total (Items 17 and 18).....	46,590	82,264	88,595	2,542	2,977	3,430	37,067	67,589	72,295	6,981	11,698	12,870	22
20	Public Domain.....	24,745	74,225	89,751	736	2,315	1,790	24,018	71,913	87,781				23
21	C.N.R. Income Surplus ³	10,181	20,415	24,378										24
22	Municipal Public Utility Contributions.....	36,556	193,701	148,562	8,524	134,080 ⁵	82,881 ⁵	2,877	21,308	25,815	10,181	20,415	24,378	25
23	Other Revenue.....													26
24	Total Revenue.....	1,033,214	3,674,188	3,624,809	480,927	2,575,514	2,411,218	236,223	635,697	702,980	316,964	462,977	510,611	27

INTER-GOVERNMENT TRANSFERS NOT INCLUDED IN ABOVE SUMMARY										
25	26	27	28	29	30	31	32			
Province Subsidies to Provinces.....	19,184	17,034	18,673	19,184	17,034	18,673	19,184	17,034	18,673	25
Provincial Subsidies to Municipalities.....	4,507	8,192	10,075	4,507	8,192	10,075	4,507	8,192	10,075	26
Tax Suspension Agreements.....		84,279	102,913		84,279	102,913		84,279	102,913	27
Interest on Common School Fund and School Lands Fund Debentures.....	1,585	1,466	1,466	1,585	1,466	1,466	1,585	1,466	1,466	28
Gasoline Tax Guarantee.....										29
Nova Scotia Highway Tax.....	452	342	251	452	342	251	452	342	251	30
Manitoba Municipal Commissioner.....	828	1,303	400	828	1,303	400	828	1,303	400	31
TOTAL ⁷	26,556	112,616	133,778	22,049	104,424	123,703	4,507	8,192	10,075	32

FOOTNOTES

¹ Preliminary; also includes Newfoundland for first time.

² Consists of Chartered Banks' Note Circulation Tax, and Insurance Companies Tax on Net Premiums.

³ Chiefly on non-residents.

⁴ The 3% tax on imports is excluded here and included in item 8.

⁵ Includes 86,142 (1948) and 31,596 (1949) being excess of refunds over expenditure re: Expansion of Industry.

⁶ Includes transitional grant to Newfoundland 6,500.

⁷ Discrepancies between the amounts shown on this table and on the expenditure table as Inter-Governmental Transfers are due to variations in the fiscal year ends and accounting practices of governments.

⁸ Deficits were incurred in the years shown and are included in item 10 of the expenditure table.

COMBINED EXPENDITURES—ALL GOVERNMENTS IN CANADA FOR 1939, 1948 AND 1949

CURRENT AND CAPITAL ACCOUNTS—SUMMARY BY SERVICES

Fiscal Years Ended Nearest December 31

(Thousands of Dollars)

Item No.	—	Total			Dominion			Provincial			Municipal			Item No.
		1939	1948	1949 ¹	1939	1948	1949	1939	1948	1949 ¹	1939	1948	1949 ¹	
1	Debt Charges, Net, Excluding Debt Retirement.....	264,300	475,136	492,265	151,653	395,242	408,232	60,719	51,491	53,323	51,928	28,403	30,710	1
	Public Welfare—													
2	Health and Hospital Care.....	47,145	137,738	183,363	1,153	11,091	19,451	30,432	93,425	127,564	15,560	33,222	36,348	2
3	Labour and Unemployment Insurance.....	3,272	15,468	52,404	1,282	41,905	48,310	1,990	3,561	4,004				3
4	Relief.....	82,629	10,992	16,558	23,620			42,811	6,927	11,050	16,198	4,065	5,508	4
5	Old Age Pensions.....	39,587	53,938	127,868	29,121	64,206	89,725	10,279	29,308	38,143	187	334		5
6	Family Allowances.....		272,608	299,347		272,608	299,347							6
7	Other.....	35,613	98,705	121,994	4,433	16,131	20,482	12,371	29,536	36,180	18,809	53,638	75,332	7
8	Sub-Total (Items 2 to 7).....	208,246	659,447	801,534	59,609	406,031	477,315	97,883	162,757	217,031	50,754	90,659	107,188	8
9	Education.....	128,682	364,405	406,434	3,543	37,040	28,691	38,004	130,054	156,232	87,135	188,311	221,511	9
10	Transportation, Highways, Bridges, Airways, Railways, Waterways, etc.....	163,159	467,703	514,825	46,041 ²	119,810 ²	157,612 ²	89,103	257,738	254,294	28,015	90,155	102,919	10
11	Agriculture.....	60,498	89,071	106,544	53,151	67,879	82,339	7,347	22,062	24,205				11
12	Public Domain.....	37,648	11,304	109,558	14,577	38,416	53,574	23,071	52,888	48,984				12
13	National Defence.....	126,915	256,092	372,596	126,915	256,092	372,596							13
14	Veterans' Pensions and Aftercare.....	55,267	236,378	202,466	55,267	235,578	202,466							14
15	Mutual Aid.....				247	³	³							15
16	Expansion of Industry.....	247	30,721	2,748	55	30,721	2,748							16
17	Price Control and Rationing.....	55	450,257	494,566	60,140	212,595 ⁴	225,214 ⁴	38,756	89,794	110,629	86,748	147,898	158,753	17
18	Other Expenditures.....	185,644												18
19	Total Expenditure.....	1,230,661	3,120,614	3,496,566	571,198	1,799,404	2,010,787	354,883	775,814	864,698	304,580	545,396	621,081	19

ESTIMATES OF REVENUES AND EXPENDITURES FOR
ALL GOVERNMENTS, WITHOUT DETAIL FOR, 1950

REVENUES ¹

(Millions of dollars)

Total	\$ 4,112
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Federal	2,864
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Provincial	708 ²
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Municipal	540 ²
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EXPENDITURES ¹

Total	\$ 4,105
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Federal	2,518
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Provincial	936 ²
------------------	------------------

Municipal	651 ²
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*Footnotes*¹—Exclusive of Inter-governmental Transfers.²—Includes Newfoundland.

NOTE:—The foregoing figures should be viewed as approximations only as they are subject to revision and adjustment when final accounts for the fiscal periods concerned may be available.

EXHIBIT No. 3
NET NATIONAL INCOME 1939-50
(Millions of Dollars)

	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949 ¹	PreL 1950 ¹
Salaries, Wages and Supplementary Labour Income.....	2,533	2,944	3,586	4,251	4,746	4,908	4,915	5,322	6,212	7,139	7,800	8,300
Military Pay and Allowances.....	32	193	386	641	910	1,068	1,117	340	83	82	115	137
Investment Income ²	783	1,127	1,487	1,721	1,766	1,770	1,905	1,987	2,299	2,379	2,367	2,996
Net Income of Agriculture and Other Unincorporated Business—												
Farm Operators from Farm Production.....	461	508	548	1,089	969	1,213	959	1,130	1,104	1,567	1,513	1,424
Other Unincorporated Business	430	483	587	671	711	782	892	1,040	1,218	1,307	1,374	1,451
NET NATIONAL INCOME AT FACTOR COST.....	4,289	5,255	6,594	8,373	9,102	9,741	9,788	9,819	10,916	12,474	13,169	14,308
Indirect Taxes Less Subsidies.....	737	837	1,056	1,085	1,117	1,111	1,003	1,269	1,601	1,768	1,831	2,001
Depreciation Allowances and Similar Business Costs.....	582	655	751	883	912	863	785	846	1,036	1,126	1,321	1,471
Residual Error of Estimate.....	-10	25	33	114	152	204	234	74	104	135	61	11
GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,598	6,772	8,434	10,455	11,283	11,919	11,810	12,008	13,657	15,503	16,382	17,791

¹ Includes Newfoundland which is estimated to increase Gross National Product by slightly more than one per cent.

² In addition to corporation profits, and interest and net rents received by persons, this item includes profits of government enterprises, undistributed Wheat Board Trading profits, and an inventory revaluation adjustment for grain in commercial channels.

GROSS NATIONAL PRODUCTION, 1939-50

(Millions of Dollars)

	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949 ¹	Prel. ¹ 1950
Personal Expenditure on Consumer Goods and Services.....	3,861	4,379	5,014	5,531	5,880	6,382	7,050	8,018	9,225	10,151	11,086	11,810
Government Expenditure on Goods and Services.....	724	1,156	1,750	3,729	4,230	5,025	3,708	1,832	1,562	1,797	2,106	2,333
Gross Home Investment—												
Housing.....	145	153	163	128	131	157	210	338	492	647	741	782
Plant and Equipment.....	409	560	832	803	697	599	672	1,024	1,565	2,016	2,229	2,381
Changes in Inventories.....	327	371	217	330	-47	-67	-283	538	901	609	108	805
Exports of Goods and Services ²	1,451	1,805	2,458	2,354	3,462	3,596	3,597	3,210	3,638	4,054	4,011	4,173
Imports of Goods and Services ²	-1,328	-1,626	-1,967	-2,307	-2,917	-3,569	-2,910	-2,878	-3,621	-3,636	-3,837	-4,482
Residual Error of Estimate.....	9	-26	-33	-113	-153	-204	-234	-74	-105	-135	-62	-11
GROSS NATIONAL PRODUCTION AT MARKET PRICES.....	5,598	6,772	8,434	10,455	11,283	11,919	11,810	12,008	13,657	15,503	16,382	17,791

¹ Includes Newfoundland.² Minor adjustments have been made to the figures of current receipts and payments shown in "The Canadian Balance of International Payments, 1949", Dominion Bureau of Statistics, to achieve consistency with the other component series.

EXHIBIT No. 4

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA
(Excluding Members of the Armed Forces and R.C.M.P.) as at March 31, 1939, 1948, 1949, 1950 and 1951

	Numbers Reported By Dominion Bureau of Statistics ⁽¹⁾					Numbers Reported By Departments To Department of Finance For the Purpose of This Report	
	1939	1948	1949	1950	1951	1950	1951
Agriculture.....	3,122	5,381	5,914	6,667	7,076	6,495	6,863
Auditor General.....	231	173	169	169	163	163	163
Chief Electoral Officer.....	15	10	19	13	14	14	14
Citizenship and Immigration.....	Staff reported under preceding Departments			2,657	2,917	2,799	3,411
Civil Service Commission.....	235	532	572	580	536	593	534
External Affairs.....	193	1,054	1,234	1,301	1,341	1,302	1,368
Finance.....	213	677	698	645	602	636	607
Comptroller of the Treasury.....	1,073	4,653	4,524	4,300	4,084	4,344	4,031
Royal Canadian Mint.....	126	288	402	222	222	222	222
Tariff Board.....	20	11	17	17	17	17	17
War-time Prices and Trade Board.....		1,145	1,029	690	260	687	260
Fisheries.....	235	533	569	925	962	1,178	1,450
Governor General's Secretary.....	14	12	10	10	10	10	10
House of Commons.....	516	541	636	656	692	656	661
Insurance.....	63	59	72	72	82	72	81
International Joint Commission.....	6	4	4	10	11	10	11
Justice.....	106	152	179	132	204	1,557	204
Commissioner of Penitentiaries.....	985	1,174	1,255	1,364	1,590	1,509	1,509
Labour.....	244	620	645	726	635	726	674
Unemployment Insurance Commission.....		7,140	7,148	7,148	7,051	8,347	7,724
Library of Parliament.....	27	31	34	31	36	31	36
Mines and Technical Surveys.....	Staff reported under preceding Departments			1,661	1,720	1,778	1,816
National Defence: Administration.....							2,676
Army Services.....	1,142	8,741	10,045	9,118	2,398	13,217	13,257
Naval Services.....	178	2,984	3,451	4,022	4,119	6,731	7,527
Air Services.....	104	3,314	3,408	3,707	4,121	4,628	5,765
National Film Board.....		598	596	596	561	603	572
National Health and Welfare- Departmental Administration.....							251
Health.....		223	236	268	257	264	264
Wellfare.....		725	497	733	880	841	864
Indian Health Services.....		752	743	755	763	763	763
National Research Council.....		646	812	931	1,084	1,031	1,196
Atomic Energy Control Board.....		1,543	1,524	1,694	1,891	2,991	3,172
National Revenue.....	226	7	7	7	7	7	7
Customs and Excise.....							
Income Tax.....							
Post Office.....	4,415	5,552	5,776	6,086	6,211	6,086	6,194
Prime Minister's Office ⁽¹⁾	12,518	17,105	18,049	18,899	18,938	33,029	32,962
					37	34	35

	19	68	72	53	43	63	43
Privy Council.....	67	54	55	61	65	61	63
Public Archives.....	652	786	856	991	1,041	991	1,041
Public Printing and Stationery.....	4,124	6,574	6,547	6,954	7,103	7,628	7,628
Public Works.....				1,570	1,689	2,277	2,397
Resources and Development.....							
Royal Canadian Mounted Police.....	86	463	490	568	622	668	910
Secretary of State (1)	346	528	557	608	588	608	575
Senate.....	145	148	152	156	159	156	159
Trade and Commerce (Including D.B.S.).....	1,024	2,562	2,470	2,801	2,775	2,798	2,772
Board of Grain Commissioners.....	642	781	791	813	779	806	774
Canadian Government Elevators.....	128	157	140	137	169	137	169
Transport.....	5,163	7,828	8,535	9,470	10,028	11,979	11,698
Air Transport Board.....		36	42	48	54	48	53
Board of Transport Commissioners.....	97	136	144	155	188	155	158
Veterans Affairs.....		15,173	14,011	13,748	12,931	13,748	12,917
Soldiers Settlement and Veterans Land Act.....		1,678	1,468	1,334	1,224	1,334	1,224
Mines and Resources.....							
Departmental Administration.....	70	108	127				
Immigration.....	565	1,079	1,281				
Indian Affairs.....	1,038	1,771	1,877				
Indians and Development.....	558	683	789				
Mines, Forest and Scientific Services.....	437	1,562	2,107				
Special Projects.....	449	8	6				
Pensions and National Health.....	2,638	329	408				
Reconstruction and Supply.....							
Totals.....	46,106	118,370	123,924	127,044	124,866	155,960	156,220
Crown Corporations, and Corporate Agencies, other than C.N.R. and its subsidiaries (17)						13,189	15,194

See new post-war Departments for 1950
and 1951 figures

(1) The Dominion Bureau of Statistics publishes annually summary statistics of the Civil Service of Canada, and the figures for 1939, 1948, 1949 and 1950 were obtained from these publications. The figures for 1951 have not yet been published, and were obtained directly from Dominion Bureau of Statistics for the purposes of this report.

(2) Includes the Chief Electoral Officer.

(3) Includes 3 Commissioners (1951) figures include 4 employees on Retirement Leave (1 on Educational Leave 1 on Military Leave and 4 on loan).

(4) Includes Farmer's Creditors Arrangement Act (6 employees).

(5) Includes Fisheries Research Board (270 employees for 1950, 328 employees for 1951) and the International Pacific Salmon and International Fisheries (Halibut) Commissions.

(6) Does not include 2 Aide-de-Camps to the Governor General.

(7) Includes seasonal employees.

(8) Includes employees of the Atomic Energy Project, Chalk River, Ontario. Also includes 57 Post Doctorate Fellows.

(9) Includes 14,065 (1950) and 14,024 (1951) employees of revenue post offices who are paid through the Finance Branch of the Post Office Department.

(10) Includes 10 employees on the staff of the Royal Commission on Arts, Letters and Sciences.

(11) Prior to 1950, the staff of the Prime Minister's Office was carried on other establishments.

(12) Does not include 240 (1950) and 276 (1951) revenue postmasters who are also employed part-time by the Department of Public Works.

(13) Includes staff of the Custodian of Enemy Property.

(14) Includes staff of the Canadian Maritime Commission and the Royal Commission on Transportation.

(15) Includes staff of the Canadian Pension Commission, War Veterans Allowance Board, and 36 Medical Research Staff on Special Projects in Departmental Hospitals.

(16) Includes appointments made under the Essential Materials (Defence) and Defence Supplies Acts prior to the Defence Production Act.

(17) The following crown corporations and corporate agencies are included:

Bank of Canada; Canadian Arsenals Ltd.; Canadian Broadcasting Corporation; Canadian Commercial Corporation; Canadian Farm Loan Board; Canadian Wheat Board; Central Mortgage and Housing Corporation; Commodity Prices Stabilization Corporation; Dominion Coal Board; Eldorado Mining and Refining (1944) Ltd.; Export Credit Insurance Corporation; Federal District Commission; Industrial Development Bank; National Battlefields Commission; Northwest Territories Power Commission; Northern Transportation Company Ltd.; Park Steamship Company Ltd.; Polymer Corporation Ltd.; Crown Assets Disposal Corporation.

EXHIBIT No. 5

DOMINION BUREAU OF STATISTICS—PRICES SECTION

DOMINION COST-OF-LIVING INDEX
(1935-39 = 100)

Year	Index
1945	119.5
1946	123.6
1947	135.5
1948	155.0
1949	160.8
1950	166.5
1950 January 3	161.0
February 1	161.6
March 1	163.7
April 1	164.0
May 1	164.0
June 1	165.4
July 3	167.5
August 1	168.5
September 1	169.8
October 2	170.7
November 1	170.7
December 1	171.1
1951 January 2	172.5
February 1	175.2
March 1	179.7
April 2	181.8
May	182.0

P.C.L.—100—16/5/51

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THE SENATE OF CANADA

Government
Publications



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953.

No. 1

THURSDAY, MAY 8, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Secretary of Treasury Board.

EXHIBIT:

No. 1. Summary of Annual Estimates by Standard Objects of Expenditure
and Special Categories.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1952

LIBRARY
PARLIAMENTARY AND GOVERNMENT

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman

The Honourable Senators

Aseltine	Fogo	Paterson
Baird	Fraser	Petten
Barbour	Gershaw	Pirie
Beaubien	Golding	Quinn
Bouffard	*Haig	Reid
Buchanan	Hawkins	*Robertson
Burchill	Hayden	Roebuck
Campbell	Horner	Stambaugh
Crerar	Isnor	Taylor
Dupuis	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien—36.
Farris	McDonald	50 members—(Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

WEDNESDAY, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 8, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators:—Crerar, Chairman; Aseltine, Barbour, Beaubien, Bouffard, Buchanan, Burchill, Dupuis, Euler, Fafard, Gershaw, Golding, Haig, Hawkins, Hayden, Isnor, King, Lambert, McDonald, Paterson, Pirie, Quinn, Reid, Stambaugh, Taylor, Turgeon and Vien—27.

In attendance: The official reporters of the Senate.

The Committee proceeded to the consideration of the order of reference of March 26 1952—

That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, etc.

On motion of the Honourable Senator Beaubien, the Honourable Senator Lambert was elected Vice-Chairman.

Mr. R. B. Bryce, Secretary of Treasury Board was heard.

A summary of Annual Estimates by Standard Objects of Expenditure and Special Categories was filed by Mr. Bryce.

Ordered that the said document be printed as Exhibit No. 1.

At 12.45 p.m. the Committee adjourned until Wednesday, May 14, 1952, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE,

OTTAWA, Thursday, May 8, 1952.

The Standing Committee on Finance, which was authorized to examine the Estimates for the fiscal year ending March 31, 1953, met this day at 11 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: Gentlemen, shall we come to order? At the committee's last meeting prior to the Easter recess there was brought up the question of appointing a Vice-Chairman, and the committee left it to me to suggest someone who, in the event of my absence or my failure to get here on time, could proceed. I would suggest, if it is agreeable to the committee, that Senator Lambert take on this responsibility. Is that satisfactory?

Hon. Mr. HAIG: Agreed.

The CHAIRMAN: It might be useful if at the beginning I gave you a brief summary of the work that has been roughly outlined by the Steering Committee, the names of whose members you will recall. We have today for consideration an analysis of the Main Estimates for the calendar year, under the headings of "Standard Objects of Expenditure" and "Special Categories". This information was provided by the Treasury Board officials, and we are indebted to Mr. Bryce, who is here, for his co-operation in the matter; and, indeed, to the Department of Finance as a whole. This statement shows, first, the analysis by departments other than defence; and in the next category we have a summary of the estimates in the Blue Book for National Defence, Defence Production and Civil Defence. Following that we have a combination of these two categories, showing the analysis of the total estimates provided for in the Main Estimates.

It might be mentioned now that there will doubtless be supplementary estimates, but these cannot be dealt with now, for we have not got them before us.

Hon. Mr. REID: Mr. Chairman, may I be permitted to ask a question, which I consider a very pertinent one? I asked a similar question last year. Are these estimates for 1951-52 which are now before us the ordinary estimates plus the supplementaries?

The CHAIRMAN: Yes.

Hon. Mr. REID: Then we have no basis for a fair comparison, for in the 1952-53 estimates we have the ordinary estimates without the supplementaries, whereas the supplementaries are included in the 1951-52 figures. When we have the supplementaries for 1952-1953 before us the picture will change.

The CHAIRMAN: I would suggest, Senator Reid, that you might just keep that in the back of your mind, that we shall have further estimates. In the meantime, we can only deal with the figures that are before us.

Let me proceed. Following this we have from the Treasury Board an analysis of the total civil service personnel by departments, reported for the years 1939 and 1948 down to an estimate for 1952. We shall not consider that today. Also at a later date we are to be presented with the figures of gross

national production and net national income. Members of the committee will be aware that these figures are very pertinent when related to the total expenditures of all governments in Canada. Later we shall have figures from the Bureau of Statistics giving estimates of expenditures and revenues for all governments in Canada, with 1939 again taken as a base year. The figures will probably be for the last four years, with an estimate for 1952.

Hon. Mr. VIEN: When do you expect that information to be ready, Mr. Chairman?

The CHAIRMAN: That information, I am told, may be available in a few weeks, possibly by the end of the month.

When we get all this data together we can form an estimate of the total taxation levied on the Canadian people by all governments for the current year, as compared with previous years. You will recall from previous reports, which will no doubt be confirmed in the information we get from the bureau, that in 1939 the total revenue collected from the Canadian people by all governments was approximately \$1,036 million. From preliminary reports it would appear that the total amount that will be collected in the current year is \$6 billion, at least. That is a tremendous increase, but that increase must be considered in relation to the total increase in our gross and net national income over the intervening years. We shall be able to compare these figures and analyse them with the assistance of departmental officials.

The Steering Committee has given consideration to the possibility of calling in witnesses who have more or less detailed knowledge of these things, men who have made a study of, for instance, how far a nation can go in taxation in relation to the total national income of the people. Studies have been made on the basis of not only our own experience in Canada, but the experience of other countries, I believe, and information is available as to what is regarded as the safety line beyond which a nation cannot levy taxes in relation to the total production of its people.

Thit briefly summarizes what the Steering Committee has had under consideration. There are also the questions of the effect—if we have time to go into them, and I think we have—of all this upon the various branches of the economy of our country. For instance, what effect has it got on our agriculture economy? What effect has heavy taxation on the increase of national wealth? These are all related questions which, as we proceed with our inquiry, can perhaps be taken under review.

There is one other point I should like to mention before we get into the detailed work of this session of the committee. Quite obviously it is an impossible task for this committee to make any detailed inquiry into the estimates of expenditures. We reached that conclusion a year ago. But as we go over this analysis of the estimates with the assistance of Mr. Bryce there may be some expenditures upon which we think we might get further information, and the department in question could be asked to send someone here who could give a further explanation of particular items. As an illustration, the analysis of the estimates found at the back of the blue book on estimates—which is a mine of information and which I trust the members have diligently studied—puts the departments under different headings; if one department appears to have some abnormally large expenditures, a witness could be called from that department to explain why the expenditures have increased in a certain direction and why the money they are asking for is needed. For instance, the total amount in the estimates this year for travelling expenses by all departments is approximately \$45 million. If we examine the details we find that about \$14 million of that is for civilian travel and allowance expenses, and the balance for the military. If we think that something more than \$30 million is a large amount for travelling expenses for the Defence Department, we might call

someone from that department to appear before us and to explain the figures to us. That arrangement could be made to apply to any department.

I am now making suggestions to the committee of possible lines along which we might conduct our inquiry. As we get into the figures later on, a great many points may come under review. The figures have not been given to the press, but I think we should give them to the press as we are considering them each day.

The growth in civil service personnel is perhaps one matter that might excite comment. That subject might be further examined in the manner in which I have indicated. This concludes the information which I wish to place before the committee this morning.

By way of summary, I may say that it will be useful if we can look at the Canadian picture as a whole in the same way that a businessman would look at his assets, his liabilities, his expenditures and his income. If he considers that his prospects for business in the future are very good, he may be overly optimistic and decide to embark on this or that expenditure. While he may have a business that is very soundly based, he may come to a time when he has to revise his opinions as to how he should conduct his business. Taking our country as a whole, it appears to me that we are in somewhat that position: We are a country with great assets, and we are spending a lot of money. Are we spending too much money, and are we spending it wisely to develop our assets? What will be the effect on the economy of the country in the future by reason of what we are doing today? These, I suggest to the committee, are pertinent problems in our general inquiry.

This is not an inquiry with a view to apportioning blame or finding fault with someone here or there. The important matter is to keep the objective approach to the problem; not to criticize any government here, in the provinces or in the municipalities, but to try to place the whole picture clearly before us so that we can have an intelligent appreciation of all these factors which have a vital bearing on our well-being as a people. I trust that is the kind of inquiry we shall conduct throughout the various sittings of this committee.

I think it will be agreed by all that in our inquiry of a year ago and in the previous years that we maintained an objective approach, and if we maintain that approach this year whatever report we bring in at the conclusion of our hearings will carry a greater weight than if the impression were to get about that we were on a sort of fishing expedition to apportion blame here or there.

I have one further suggestion: I was greatly pleased a year ago with the attention given by the members of the committee, their promptitude in attending meetings and their diligence in studying the subject and the courteous manner in which the questions were asked. With the committee's permission I shall attempt to keep the inquiry along the same lines this year. If a member of the committee wishes to ask questions of any witness that comes before it, I think he should be permitted to do so without interruption, and then to be followed by the next member who has some questions to ask. In that way we shall proceed in an orderly fashion.

We have before us this morning Mr. R. B. Bryce. But perhaps before I call Mr. Bryce I should give the members of the committee an opportunity to make any general observations they have in mind, although we do wish to keep the general observations to a minimum. We shall have before us this excellent summary which was compiled by the Finance Department. This analysis is one that will pay good returns on careful study. I think the Finance Department is to be congratulated on the information given in the white paper that accompanied the budget. If we take the analysis given here, relate it to the information given in the white paper that accompanied the budget, which contains statistical information on almost all phases of our national economy,

we have a mine of information, and if we do not inform ourselves it is due to our own shortcomings. Does any member wish to make any observations?

Hon. Mr. HAIG: Mr. Chairman, I would just like to say that the Steering Committee met and unanimously agreed to the statement which you have just made.

The CHAIRMAN: If there are no further observations, we shall put Mr. Bryce on the stand. We had him before us last year, and I think we are all agreed that he gave us a great deal of useful supplementary information. I trust that the members of the committee have studied this analysis of expenditures by standard objects and special categories and are prepared to ask Mr. Bryce questions to bring out the information. The proceedings will now get under way.

Hon. Mr. ISNOR: Before the witness proceeds I have one brief question. You made a very fine report last year; it was printed and distributed very widely. You sent a copy of that, Mr. Chairman, officially to the government itself from your committee? If so, what was their response and reaction to the representations you made?

The CHAIRMAN: I had to leave a year ago immediately after the report was submitted to the house, and Senator Lambert very kindly undertook to see to the distribution of it. He can correct me if I am wrong, but my recollection is that it went out to all members of the House of Commons and of the Senate, and there was a pretty general distribution to the press of Canada.

Hon. Mr. LAMBERT: And members of the legislatures.

The CHAIRMAN: And members of the legislatures.

Hon. Mr. EULER: Did it go to the government?

Hon. Mr. LAMBERT: Yes, to the provincial treasurers of all provinces. They all replied to it.

Hon. Mr. EULER: And to the federal government?

Hon. Mr. LAMBERT: There was nothing sent directly to the federal government, for the simple reason that the material we were examining and reporting on was of their own origin in the first place.

Hon. Mr. HAIG: But it was sent to the members of the House of Commons.

Hon. Mr. ISNOR: It was given very full coverage and distribution. But you have had no response from the Department of Finance, for instance, as to the recommendations.

Hon. Mr. EULER: It was not sent to them.

Hon. Mr. ISNOR: That is what I want to find out. What is the purpose of the work of this committee? Is Mr. Bryce from the Department of Finance, Mr. Chairman?

The CHAIRMAN: Yes. So far as I know, there was no formal acknowledgment from the Finance Department.

Hon. Mr. EULER: I suggest that Mr. Bryce be asked.

Mr. BRYCE: We certainly received your report and read your report, but whether we received it in a formal manner and should have replied thereto because of that—I confess it did not occur to me.

Hon. Mr. VIEN: The report is printed in so many copies which we send out to various people like the provincial governments and others. But the function of this committee, created by the Senate, is to report to the Senate, and I do not believe that it would be the function of this committee to send it to any department of the government with instructions or with a request that it be acknowledged and that comments be made thereon. Our function is to report to the Senate. The Senate as a whole can take whatever action it deems fit.

The CHAIRMAN: In reply to that: Senator Vien is quite right. The report a year ago was submitted to the Senate; it was ordered printed, I think 750 copies in English and 250 in French, or something of that order; and after it was considered and approved in the Senate, then, for their information, these copies were sent out in the way we have indicated. I think that that was quite in order, and I do not understand that Senator Vien was objecting to that.

Hon. Mr. VIEN: Oh, no, by no means.

The CHAIRMAN: Now we are ready with the questions.

Hon. Mr. REID: I would like to ask Mr. Bryce are the figures given in this summary, of standard objects of expenditure, as contained in the general estimates, the same as are submitted to us now in the form in which you have it?

Mr. BRYCE: Yes, sir. The figures for 1952-53 are just the same. The figures for 1951-52 in the summary I have given you reflect the final supplementary estimates passed at the end of March and beginning of April, so that they are slightly more complete. These estimates had, of course, not been received by the government from departments nor approved by parliament at the time that the main estimates were made up, and therefore we could not put those in, but the summary figures are the most complete figures we can give you for each year.

Hon. Mr. REID: When we come to a special item we can ask for the particulars on the item.

Mr. BRYCE: Having relation to your earlier remark, senator, I might add that, in tabling the estimates, the Minister of Finance did emphasize that the total figures for 1952-53 and the total for the Department of Finance in particular were not comparable with those for earlier years, because of the status of the Dominion-Provincial financial agreements. Those agreements expired at the end of the last fiscal year, the end of March, and there are certain payments under the agreements that are payable in the new fiscal year that we have now entered—1952-53—and only those payments under the old agreements are reflected in what we call the statutory items in the estimates for the new year, as yet, because parliament has not yet approved the statute that will deal with the new agreement being negotiated with the provinces. Now that is quite a large amount; it is something of the order of 130, 140 or 150 million dollars.

Hon. Mr. HAYDEN: You mean the difference, the increase?

Mr. BRYCE: Yes. That is such a large figure I think I should mention it.

Hon. Mr. EULER: Is that what is owing to the provinces on last year's agreements?

Mr. BRYCE: No, sir, that would be the additional amount payable under the new agreements, which are not made, but we anticipate there will be agreements made.

Hon. Mr. EULER: All last year's obligations to the provinces are discharged, are they?

Mr. BRYCE: They will be, by June 30th of this year. Some of the payments are made in June of this year.

Hon. Mr. EULER: On last year's agreements?

Mr. BRYCE: Yes.

Hon. Mr. BOUFFARD: It is only these that are included in your estimates at the present time?

Mr. BRYCE: Yes.

Hon. Mr. BOUFFARD: The new obligations of the government for 1952-53 are not included?

Mr. BRYCE: No.

Hon. Mr. BOUFFARD: And they amount to approximately \$150 million.

Mr. BRYCE: It depends on the terms of the provinces' acceptance, and so forth. But it is a very large figure. It will be well over \$100 million,—depending on how many provinces come in, and things of that sort.

Hon. Mr. HAYDEN: There is another point there. You have included in those figures an amount equal to what was paid under the old agreements?

Mr. BRYCE: No. We have never included the amount payable in the new year under the old agreements. The old agreements provide for payments in arrears of one-quarter the calendar year, and for that reason it would be misleading to compare the totals.

Hon. Mr. HAYDEN: These figures are short by the entire amount of whatever the payments may be that are settled by agreements.

Mr. BRYCE: Under the new agreements.

The CHAIRMAN: And that, you think, will be something over \$100 million?

Mr. BRYCE: Depending on the number of provinces entering into agreements and the terms of the agreements.

Hon. Mr. EULER: Under the new agreement it is entirely probable, is it not, that that amount will be larger?

Mr. BRYCE: Yes. I think from the statements that have been made by this and other governments the indication would be that it would be larger. I believe the Minister has also indicated that the timing of the payments may be different. So there are quite a lot of complications in determining the figures in a particular year.

Hon. Mr. HAIG: But would it be possible, Mr. Bryce, to outline to the committee what basis is used for getting at the figures? Some of us do not know that. For instance, take my province of Manitoba. We come under this agreement and I should like to know what the basis is for getting at the Manitoba amount. Likewise, I should like to know the basis for getting at the amounts for Saskatchewan and Alberta and each province that comes under it. I think it would be useful to the committee to explain what the formula is.

Mr. BRYCE: That will be in the legislation which will be presented to the Senate in due course.

Hon. Mr. HAIG: It will be the same in every province?

Mr. BRYCE: There are various options offered to every province.

Hon. Mr. HAIG: We want to know what they are.

Mr. BRYCE: Some will chose one and some will chose the other.

Hon. Mr. HAIG: I should like to know what these options are so I can better understand how much each province will get from the Dominion. I know that you cannot give us the details but could you give us the formula on which it is based?

Mr. BRYCE: Would it be appropriate to do that when the legislation itself is before the committee?

Hon. Mr. HAIG: Yes, but we do not want it two days before the session prorogues.

Hon. Mr. EULER: I wonder whether there is a formula or whether some of these amounts are not more or less arbitrary?

Hon. Mr. HAIG: As I understand it there are two options and it is uniform throughout the whole dominion.

Mr. BRYCE: There is an elaborate set of formulae.

Hon. Mr. EULER: One that we can understand?

Mr. BRYCE: Yes.

Hon. Mr. HAYDEN: The provinces understand it, do they not?

Mr. BRYCE: Yes, I would believe so from their behaviour.

Hon. Mr. DUPUIS: I should like to know if the money that the federal government loaned to the provinces during the period of 1930 to 1935 has been refunded to the Dominion government. As I recall it the Dominion government loaned millions of dollars to the provinces during that time, and I do not recall whether the provinces have refunded that money.

Mr. BRYCE: I am sorry, but my memory is not good enough to tell you exactly what happened on that, but there was a statute relating to the settlement of those debts several years ago. As I recall it, a statute was passed by parliament relating to the settlement of a good many of those outstanding debts.

Hon. Mr. DUPUIS: On the money that was loaned to the provinces in the years 1930 to 1935?

Mr. BRYCE: I could secure the figures for that later on.

Hon. Mr. STAMBAUGH: Is it not right that a settlement has been made with all provinces?

Mr. BRYCE: I think so, sir, but I speak only from memory on that. I was not directly involved.

Hon. Mr. BOUFFARD: You say in your report: "Civil Salaries and Wages—Includes salaries and wages of all civilian full-time, part-time, seasonal and casual personnel normally considered as 'Government Employees' (but does not include employees of Crown companies and such agencies) . . ." What are these companies and agencies? Could you enumerate them?

Mr. BRYCE: They are enumerated on the other statement which the chairman has distributed. It is not in the mimeographed paper, but there was a printed table, which I believe the chairman distributed, of the number of civil servants, and at the bottom of that table is given the number of employees of Crown companies.

Hon. Mr. REID: 14,711.

Mr. BRYCE: That gives them all except for the Canadian National Railways and its subsidiaries. Then the ones covered are enumerated in footnote 16.

Hon. Mr. BOUFFARD: Would there be any possibility of having, or is it permitted to have the statements of these Crown companies?

Mr. BRYCE: The annual reports?

Hon. Mr. BOUFFARD: Yes.

Mr. BRYCE: I think they are all provided to the members of the House of Commons and senators. Whether they are all out as yet I am not certain. They come out normally in March, April and May.

The CHAIRMAN: Senator Bouffard, may I just remark that in regard to this statement referring to the total of civil service employees, we do not propose to examine that today. We shall confine ourselves to the analysis of the estimates, and this will come up perhaps at the next sitting.

Hon. Mr. BOUFFARD: All right.

The CHAIRMAN: And we shall make better progress if we proceed in order, and, to be fair to the press, this statement of civil service employees has not been distributed to them but will be distributed when we come to the point of considering it.

Hon. Mr. LAMBERT: In relation to the question asked by Senator Dupuis a moment ago about the provinces making payments to the Dominion Government, is that not included or implied in the note that is given in your statement which appears as item 24? When these agreements are made are not these items taken into consideration—amounts owing to the Dominion from the provinces in connection with relief during the thirties?

Mr. BRYCE: Do I understand you to mean, sir, do we set off any amounts payable?

Hon. Mr. LAMBERT: Yes.

Mr. BRYCE: I think that may be the case but I do not believe that the amounts are specifically designated in the agreement.

Hon. Mr. LAMBERT: Would it be likely that these standing accounts that developed during the relief period of the thirties should be taken into consideration at least when the arrangements with the provinces are made under these tax agreements? I have a definite recollection that when the subject was being discussed with the provinces some years ago this matter came up with reference to British Columbia, and I think the administration of British Columbia suggested certain amounts and they were offset by items that were considered to be owing to the Dominion by that province. The basis then was pretty clearly established that whatever was done in the way of financial agreement between the Dominion and the provinces, these items should be taken into consideration.

Mr. BRYCE: I believe they have been settled and any payments now being made are payments pursuant to specific agreements.

Hon. Mr. VIEN: Mr. Chairman, I should think it would be important to have for the committee a tabulation of what the federal government voted to each province since 1930 up to date, showing what was intended for relief of unemployment, and the grants and other loans for various purposes, and indicating at the same time what has been refunded or what has since been dealt with by legislation in the way of overall settlements or otherwise. Can that be done?

Mr. BRYCE: I think it could be, sir. It might take a little time.

Hon. Mr. HAIG: Mr. Chairman—

The CHAIRMAN: Let us settle this first.

Hon. Mr. HAIG: I want to speak on that point. I do not want that information brought out. Why should we dig up dead horses? An agreement has been reached between the Prairie provinces and the Dominion, and the whole matter has been settled. Why should we show that Manitoba or Saskatchewan got a lot of money to pay for unemployment relief? Why bring a lot of that up again? I do not believe we should do so. It may be all right from the point of view of the rich provinces of Ontario and Quebec to drag these skeletons out of the closet, but it is not so nice for the poorer provinces. In the three Prairie provinces we had a tremendous amount of unemployment and bad crops and other bad conditions. We have settled the whole matter and an agreement has been reached, so why bring up the question now?

Hon. Mr. VIEN: I am not asking for it in any critical spirit at all.

Hon. Mr. DUPUIS: Mr. Chairman, Senator Haig has referred to Ontario and Quebec as rich provinces, and the Prairie provinces as poor provinces. Let me suggest that it will not be long before Alberta will be rich enough to buy Ontario.

Hon. Mr. HAIG: Why bring up the past? We had enough trouble during those terrible years.

Hon. Mr. ASELTINE: That is not what we are here for at all.

Hon. Mr. HAIG: Those debts have been settled.

Hon. Mr. DUPUIS: We do not know that.

Hon. Mr. HAIG: I am quite agreeable that Mr. Bryce should be asked how much Manitoba now owes to the dominion on that old debt, and how much Saskatchewan now owes on its old debt. But why bring up that we owed \$100 million and settled for \$25 million?

The CHAIRMAN: Order. I may say, gentlemen, that I am a rather thin-skinned individual and a bit jealous of my prerogatives, and I would like members to address the Chair instead of addressing each other.

Hon. Mr. LAMBERT: Mr. Chairman, I just want to be clear on the nature of this \$32 million that is being paid to the provinces. It would be satisfactory to me if Mr. Bryce could bring us information as to what is involved in this payment. We are looking into expenditures now, and he can give us this information without going into details.

Hon. Mr. DUPUIS: Mr. Chairman, if the money has not been paid back, are the provinces paying interest on it to the federal government? I would like to have that information.

Hon. Mr. LAMBERT: Could we not deal with that aspect of the matter later?

Hon. Mr. ISNOR: Mr. Chairman, I am going to come back to my question, which I addressed to the Chair, and to which you gave a partial answer. In view of the very good work which this committee did last year, and the exceptionally fine report presented by you, as Chairman, to Canada as a whole, I think we should know what results were obtained from the Treasury Board. And now, instead of addressing the question to you, may I direct it through you to the witness? May I ask him what results were obtained when the Treasury Board were dealing with the estimates?

The CHAIRMAN: May I observe this, that I do not know how far Mr. Bryce—

Hon. Mr. ISNOR: I want to give him a chance to answer.

The CHAIRMAN: It seems to me that if we are to get that information it will probably be necessary to call the Minister of Finance. Mr. Bryce does not make policy or decide what is to be done with the report that we presented, and I submit that the question would be a rather difficult one for him to answer.

Hon. Mr. ISNOR: Then could we ask the Minister? It seems to me that if we do not carry this thing forward we are wasting a lot of time.

Hon. Mr. HAIG: Let us call the Minister of Finance and ask him what he did about it.

The CHAIRMAN: Later on we should ask the Minister of Finance to come, if that is the desire of the committee. And I am very sure that if Mr. Abbott is invited he will be delighted to come. But in the meantime I do not think we should press Mr. Bryce.

Hon. Mr. EULER: Mr. Chairman, did the report that we presented last year make any recommendations to the government? I agree with what Senator Vien said. The report was directed to the Senate; but I take it that the purpose of the committee is to bring about some action by the government, and we cannot expect the government to follow our recommendations unless we direct the recommendations to the government. Were any recommendations made to the government?

Hon. Mr. LAMBERT: Mr. Chairman, I would like to refer to the point raised by Senator Euler. It was stated last year that the purpose of this examination into the estimates and making a report on them was to direct public attention to the increasing amounts that were being spent by governments in Canada, and the effect of those increasing expenditures as a factor in inflation.

That was the point of view that the committee had when it reported last year. As a result of that, after the session ended I was instructed by the committee, particularly by the Steering Committee, with the approval of the general committee, to distribute copies of the report—with a covering letter,

which was drafted before the committee broke up and was approved by the committee—to all members of the legislatures, and to all governments in the country, and to the press of the country. That was done to invite their opinion upon the information that we had been able to compile, but we had no authority whatever to make recommendations to the government in the matter.

Hon. Mr. EULER: Mr. Chairman, it is very admirable to call public attention to the information that was brought out, but I think that the purpose of the work of this committee was to influence the government, if we have any recommendations to make. If that is so, surely the Senate should bring our recommendations to the attention of the government officially, so that it may act upon them or not as it sees fit.

Hon. Mr. LAMBERT: I think the question arose whether we might exercise influence more effectively in a direct way or indirectly through public opinion.

Hon. Mr. EULER: It could be exercised in both ways.

Hon. Mr. DUPUIS: I agree with Senator Euler.

The CHAIRMAN: On the point raised by Senator Euler, will you allow me to read from our report of last session:

Your committee suggests that the government should keep to the lowest point possible all capital expenditures of every kind excepting those essential to defence, to provide the minimum of housing necessary and those expenditures that are normally directed to increasing the production of goods and services required by the Canadian people. Where expenditures are made on any of these items, including defence spending, efficiency and economy consistent with attaining the end in view should be the watchwords guiding them.

That is one. The second is:

The committee would suggest further that the Federal Government, as the senior government, should seek the co-operation of the provincial and municipal governments to adopt the same policy. It is true that these governments are largely sovereign in their own spheres of government, but we venture to say that their assistance should be sought and, in as large a measure as is possible, secured.

Those were two concrete suggestions that we made.

Hon. Mr. EULER: That is all fine—call them suggestions, or call them recommendations. My point is, that these suggestions or recommendations should be formally brought to the attention of the government, not only to the public. I of course approve of the spreading of the information over Canada for the consumption of the public through the press, but ultimately if we want action the recommendations have to be brought to the attention of the government, the executive. Was that done?

Hon. Mr. HAIG: We were quite clear in our understanding a year ago, and I do not think we want to change it, that if we started to make recommendations directly to the government we would, whether we wanted to or not, be taking a political stand. We deemed it more advantageous to the public of Canada if we handed out the solid, hard facts of what was the situation, and let the public reach its own judgment on those facts.

I must say that the newspapers without exception across Canada have spoken very highly of the work of this committee. They have used the information as gospel in their editorials, and I have never seen any one questioned. For that reason I am, as I have said, opposed to making recommendations directly to the government for the reason that we would be taking political action. If I were a member of the opposition in the House

of Commons and the recommendations from this committee were adopted by the government, I would be the first one to question the government on what had been done as to this or that recommendation which came from a strong Liberal Senate. I would put up that kind of argument, for I do not think it was ever intended that the Senate should make such direct recommendations. To my mind the efficiency of our inquiry would be lost if we attempted to compel the government to do something. I think Senator Lambert is absolutely correct, that we in the Senate can do far better work if we give the exact information rather than making suggestions directed to the government. With this analysis I have before me, I can give the information straight to the *Winnipeg Tribune* or the *Winnipeg Free Press*; they can't deny it; those are the facts, and editorials can be based on them. I am opposed to making direct suggestions and demands on the government.

Hon. Mr. EULER: Mr. Chairman, I apologize for rising again, but I cannot agree with what my friend Senator Haig has said. I cannot see that the committee would be making any demands; no demand would be made upon the government. But I say, if we arrive at a certain conclusion, make certain suggestions or recommendations upon which we would like some action to proceed from the government, surely it is logical to bring that matter officially to the attention of the government. I would remind my honourable friend of a committee that sat three or four years ago, of which he was a member and he did good work on it. The committee was appointed by the Senate to inquire into what might be done with regard to changing the Income Tax Act. We made recommendations, and we made them to the government, and we got very good action.

Hon. Mr. HAIG: That was not a political question.

Hon. Mr. EULER: I cannot see that party politics enters into the question in any shape or form.

Hon. Mr. REID: I should like to ask Senator Haig if the House of Commons has such faith in the Senate that any one of its members would take a recommendation from the Senate. Many of the members of that house want to abolish the Senate, and I do not think any of its members would accept a recommendation on political questions.

Hon. Mr. VIEN: The question raised by Senator Haig is an important one, but does he mean politics, or partisan politics? If he means politics in the larger sense, I think he is wrong, because everything we are doing now is political in the sense that we are dealing with a public matter, or as it was called in Greece, the interest of the city. The word "political" means the interest of the city. As members of the committee know, Greece was divided into various cities with territory adjacent to each and under the control of each city; and when a man was a political person he was taking an interest in the city. The term "political" is now used in a broader sense; when we speak of matters political today we mean that we are taking into consideration questions of public interest. Therefore, I believe the whole work of the committee is political, not in the sense of partisan politics.

I agree with Senator Euler that when the report is prepared it should be made in the Senate that the report be circulated to every department of the state.

I think that the question asked can be properly put to Mr. Bryce. He can be asked whether as a matter of fact the report has been received by the Department of Finance, and if any action has been taken on it. If Mr. Bryce is not capable of answering that question of fact, he will say so.

The CHAIRMAN: May I say a word here? If Senator Euler means, was this report formally placed before the Minister of Finance, I think the answer

would probably be no; nevertheless, I have not the slightest doubt that the Minister of Finance and the officials of his department read the report and took note of the suggestions it contained. Indeed, I have no doubt that many of the members of the government and members of the House of Commons and senators read the report. I don't know that it makes a great deal of difference, but the matter is within the knowledge of the Finance Department. On this question, we could go further and have Mr. Abbott come in for fifteen or twenty minutes some morning, at which time he could be asked, if the committee so desired, whether the report was scrutinized by the Finance Department. Mr. Abbott acknowledged that the report had been received.

Hon. Mr. HAWKINS: Mr. Chairman, you have not given any reason for your objection to allowing Mr. Bryce to answer the question. What is your objection to it?

The CHAIRMAN: I have no objection.

Hon. Mr. HAWKINS: All this discussion is based on that question; if you have any objection, state it, and if you have no objection let the witness answer.

The CHAIRMAN: I think it is important to say that Mr. Bryce could not properly be asked the question: Did the Finance Department read this report, and what did it do about it? That is not Mr. Bryce's function; that is a question of policy,—whether the government would act on the suggestions that the report contained. Whether they acted or did not act, and whether they thought that this or that suggestion was useless or was good, I do not think it is for Mr. Bryce to say.

Hon. Mr. ISNOR: Mr. Chairman, I asked a question of the witness through you, and would you allow the witness now to proceed and state whether he can properly answer the question, or whether it is a matter of policy which he does not feel he should answer. That is all I am asking.

The CHAIRMAN: Yes.

Mr. BRYCE: Well, sir, I think the question has now been put in several forms, and that I can say fairly, and without speaking improperly, that I certainly received the report of the committee, I read it, I studied it, and in the work that I did for Treasury Board I had it in mind. Of course the decisions which are taken on the estimates and related matters are taken by the ministers. I would draw their attention to matters on which the committee reported. How far they bear them in mind in reaching a decision is, of course, a question for them.

Hon. Mr. STAMBAUGH: I would like to make the remark that Mr. Bryce should have had the chance to answer that question half an hour ago, because we have wasted thirty minutes in trying to obtain it. After this, I think the Chairman should direct a question where it ought to be directed, and not give us a lecture on it.

Hon. Mr. BURCHILL: Is it in order now to ask Mr. Bryce any questions on these various items?

The CHAIRMAN: Yes, and I was going to suggest this. We have had a rather general discussion. We might follow the procedure we did a year ago, if that is the wish of the committee: take this first summary, or the total summary, which includes defence and defence production; take the first item and go down the report item by item; and we will proceed in a more orderly manner. That is what we did last year, and if it is agreeable to the committee we could follow that procedure now. The question remains whether we should make an examination first of the estimates for the departments other than defence, that is for the purely civil administration, or should we include the whole thing? I myself think we had better take the first, the civil administration. Would that be agreed to? Any dissent to that? Well, then, the first item is

"Civil Salaries and Wages." You will note that at the right-hand side is the total expenditure under this heading in 1938-39, which we have still retained as a base year, and the expenditures then for 1949-50, for 1950-51, for 1951-52 and for 1952-53. You have that item before you, gentlemen. Do you wish to ask any questions of Mr. Bryce on item No. 1?

Hon. Mr. REID: There is a matter now before the government to which, I have no doubt, your attention has been drawn; I mean the demand of the civil service for a five-day week. I notice that there have been negotiations between the head of the civil service and the government. The question was asked, would it increase the cost of the civil service, and the answer given was "Yes." My question to you is, by how much is it estimated that civil service salaries will be increased if the five-day week were put into effect.

Mr. BRYCE: It would depend, of course, on how far the hours of work were redistributed from the five-and-a-half or six-day week back into the five-day week. It is a rather intricate calculation. For example, some industrial plants, on going to the five-day week, have worked a forty-five-hour week by working five nine-hour days instead of five-and-a-half eight-hour days, or putting in some arrangement of that sort. So that, to answer you precisely, one has to know what in fact the distribution of hours would be in the five days that were worked. Again, one has to know whether any service to the public would be sacrificed. One of the departments where the cost of going on a five-day week would be the greatest is the Post Office. If the Saturday delivery of mail was dropped, the answer would be one thing, if it were continued, it would be another. I think I can say in a general sort of way, sir, and speaking here from memory, that a shift to the five-day week that included all our operating staffs—by "operating staffs" I mean not the office staffs but those of services like the Post Office, the penitentiary service, the airports and canal service, most of whom now work on a forty-four-hour week, if I remember correctly—to shift these would certainly mean adding some thousands of employees to the government establishments and would certainly involve adding more than just a few millions—I would hate to say if it would be five or ten millions, but it would be a fair number of millions—to the payroll. I do not believe I can speak more precisely than that, sir, without going into the matter as having application to particular services or groups.

Hon. Mr. BOUFFARD: Outside of that, you have to take care of the defence services.

Mr. BRYCE: Yes.

Hon. Mr. BOUFFARD: If you place all the other employees of the government on a five day week, I do not see why the soldiers should have to work forty-eight hours when the other fellow is only working forty hours.

Hon. Mr. REID: Was the suggestion to curtail the hours, or to maintain a 36 or 40-hour week within five days?

Mr. BRYCE: In rearranging office hours, as we have done in a number of cases, it has been possible—anyhow in a certain number of cases—to get the same amount of work done in five days as was previously done in five and a half. For example, one of the government offices in Toronto has been changed to a five-day week instead of five and a half days, because that is the predominant pattern of employment in Toronto and it is very difficult to hire employees for certain jobs—stenographers, for example—if you are not operating on a five-day week. Many of the government offices can operate efficiently on a five-day week by rearranging their work. It may on occasion involve some inconvenience to the public if any particular office is not open on Saturday morning. On the other hand, by rearranging hours one can frequently get as much work done. For instance, in our scientific laboratories, for example the

Research Council Laboratories here in Ottawa, there has been a shift to the five-day week. They work as many hours as previously, but they work more efficiently, because, instead of setting your experiments in motion on Saturday morning, for a relatively short period, you have additional time transferred to other days of the week, and you get in that way more effective work.

Hon. Mr. BEAUBIEN: Without increasing the pay?

Mr. BRYCE: Without increasing the overall hours or the pay. You never can get these things exact. But there is no major change.

Hon. Mr. DUPUIS: It does not make any change in the number of hours per week? I submit that that question of Senator Reid is still pertinent. If, by working five days instead of five and a half days, the number of hours is not reduced, I think the question of Senator Reid is still pertinent and could be answered.

Mr. BRYCE: Well, sir, there are certain operations that must be carried on throughout the week, or on six days a week. For example, the operations of penitentiaries obviously must be carried out continually, and, to some degree, the post office operations and operations of canals.

Hon. Mr. DUPUIS: They work the same number of hours?

Mr. BRYCE: Yes, I think it is fair to say that insofar as the work can be re-arranged, and it is the local custom to work a five-day week, the government is endeavouring to work towards certain local re-arrangements of their office work in that way.

Hon. Mr. REID: In the case of post office and penitentiary employees, they could not very well work more hours because their duties are such that they are confined to working a certain number of hours.

Mr. BRYCE: Yes, sir.

Hon. Mr. REID: In the matter of delivery of mail and the handling of prisoners it is necessary to have extra staff for Saturdays, but generally speaking the others could be arranged so that without decreasing the number of hours the work could be done in a five-day week instead of a five and a half-day week. Is that correct?

Mr. BRYCE: There are certain operations where you can do that and do it efficiently. I am thinking of certain offices and laboratories where you are not serving the public directly.

The CHAIRMAN: The total amount spent for civil service salaries and wages in 1938-39 was \$74 million. In 1949-50, which was three years ago, this amount was \$277 million. In 1952-53, the present fiscal year, it is almost \$334 million. Now, that represents an increase from 1949-50 to 1952-53 of over \$50 million. Can you give the committee, Mr. Bryce, some explanation of how that increase arises?

Mr. BRYCE: I think we can discuss the effect upon that by the increased number of civil servants more conveniently when we take up the second table of figures that you have put before the committee, and I shall be prepared then to indicate where the changes have taken place. Broadly speaking, I would say the main difference that has occurred between 1949-50 and 1952-53 is the changes in salaries that have taken place. We had major revisions in salaries late in 1950 and late in 1951; the first one of the order of perhaps 9 per cent—I have forgotten the details—and the second one of the order of perhaps 8 per cent or thereabouts. So that one has had on the whole an increase over these two years of something approaching 15 to 20 per cent in the salary rates.

The CHAIRMAN: Without going further into it now, would it be correct to say that the difference arises from two factors: an increase in personnel and an increase in salaries?

Mr. BRYCE: It will be mainly the increase in salary rates, and to a considerably lesser extent, over this period and for departments other than Defence, an increase in personnel.

The CHAIRMAN: Are there any further questions on number 1?

Hon. Mr. REID: Yes, why the great increase of 16,000 civil service employees? In 1951-52 there were 156,220, and now it is up to 170,426.

Mr. BRYCE: I understood that the Chairman planned to discuss that subsequently when we can take it up in detail.

Hon. Mr. REID: All right.

The CHAIRMAN: If there are no other questions on this we shall proceed to deal with number 2, "Civilian Allowances". That has increased from \$5 million in 1949-50 to \$7 million in 1952-53. Are there any questions on that?

Hon. Mr. HAIG: What is that for?

Mr. BRYCE: That is a whole variety of payments made to employees in addition to salaries, to reimburse them for special expenses to which they are put or for extra duties that they may be assigned to temporarily, and things of that sort. The biggest amount is the living allowances of employees that are posted to the north of Canada or posted abroad, where the cost of living is higher or where they have extra living costs.

Hon. Mr. HAIG: I see.

Mr. BRYCE: If one looks into the table of details to which the Chairman referred, one will see what departments have these in substantial amounts. Honourable senators will note the biggest one, I think, is the Department of External Affairs, and the second one is the Department of Transport, which has many of these allowances for people in remote areas. Then one finds the Department of Trade and Commerce with quite a substantial figure for their officers abroad. The Post Office has also a substantial amount which would be largely due to two factors, the boot allowances and such for letter carriers, and secondly the mileage allowances for the railway mail clerks.

Hon. Mr. REID: What is the explanation for the increase from \$50,000 to \$136,000 in the matter of civilian allowances for the Governor General and the Lieutenant Governors? What is the reason for such a large increase?

Mr. BRYCE: That, sir, will be the allowances introduced for the Lieutenant Governors. In the Main Estimates for the fiscal year under the heading of "Governor General and Lieutenant Governors" there is a vote No. 170 of \$86,000 to authorize and provide, subject to the approval of the Governor in Council, for expense allowances to the Lieutenant Governors of the provinces for travelling and hospitality undertaken in the exercise of their duties. The government introduced this in March with a supplementary estimate at the end of last year that determined the scale of these allowances, and this is to provide for it in the new fiscal year.

Hon. Mr. KING: Is that distributed equally to the provinces?

Mr. BRYCE: It depends, senator, on the population of the province. The vote in the final Supplementary Estimates for the last year gives the actual formula which determines it. It runs from \$5 to \$12,000.

Hon. Mr. ISNOR: Dealing with the question of allowances from a book-keeping standpoint, is the allowance charged against each individual shown? Is that question clear?

Mr. BRYCE: Is your question: would it be shown in the Public Accounts?

Hon. Mr. ISNOR: That is right.

Mr. BRYCE: I think one could find it for those employees who are listed in the Public Accounts now, but the Minister of Finance has been reducing the

number of employees for which this detail is given in Public Accounts in order to keep down the printing bill. Therefore, now I think the Public Accounts show only employees receiving a salary of over \$4,000 or something of that sort.

Hon. Mr. ISNOR: From a bookkeeping standpoint, anyone could enquire and ascertain the amounts?

Mr. BRYCE: Yes.

The CHAIRMAN: Take, for example, in External Affairs where there is an increase of approximately \$200,000 for civilian allowances. Have these allowances been increased during the past year?

Mr. BRYCE: Not the fundamental basis of them, sir, but these allowances paid in External Affairs reflect changes made in the cost of living in the various centres to which the officers are posted.

The CHAIRMAN: That is what I mean. It is due to that?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: Included in that item will be all our representation in the subsidiary organizations of the United Nations?

Mr. BRYCE: Yes, sir, in so far as we have officers posted to their headquarters drawing allowances.

The CHAIRMAN: The expenditures in connection with our representation at NATO at Paris will be included in this also?

Mr. BRYCE: Well, the actual establishment for that office has only recently been set up. Whether it can be covered in the estimates for the External Affairs Department or whether a supplementary estimate will be needed is something that we shall have to determine when we go over the program again in June. If the estimates for the department are as tight as they should be, we may have to get a supplementary estimate for that.

The CHAIRMAN: Any further questions on that item? If not, we shall take the next one, Pay and Allowances, R.C.M. Police. That has more than doubled?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: In 1949-50 it was \$8,227,000, and for 1952-53 it is \$17,138,000. What is the explanation for that increase?

Mr. BRYCE: Well, sir, there has been a very substantial increase in the strength of the force. I can give you the figures, if you wish them.

The CHAIRMAN: I think they would be useful.

Mr. BRYCE: You mentioned 1949-50. At the beginning of that year, March 31, 1949, the strength of the force as a whole was 3,438. Of that number, men in uniform constituted 2,937; special constables numbered 432; and employee civilians, as they call them, were 69; making a total of 3,438. At the end of March this year, about six weeks ago, the total had grown to 4,853. I can give you the composition of that, if you wish it.

The CHAIRMAN: I do not think that is necessary.

Mr. BRYCE: Those are in addition to the numbers of civil servants working for the force. They are, of course, listed under civil salaries.

The CHAIRMAN: And in the intervening period the pay and allowances for the force have of course been increased?

Mr. BRYCE: Yes, sir. There have been increases in the rates of pay and allowances for the R.C.M. Police at the same time as we have had changes for the armed services and the civil service. They have been increased fairly markedly over that period; there have been two major revisions in that time.

Hon. Mr. BOUFFARD: Has the R.C.M.P. undertaken police work in any additional provinces?

Mr. BRYCE: Yes, sir. I should mention that in this period the Force has undertaken the policing of Newfoundland and British Columbia. While it is hard to say exactly how much that involves, I do have the information that the contracts with the provincial governments provide for 550 uniformed men in British Columbia and 140 in Newfoundland.

Hon. Mr. ASELTINE: But the provinces pay a certain amount to the federal government for the policing service?

Mr. BRYCE: Yes, sir.

Hon. Mr. ASELTINE: Is that taken into consideration in fixing these figures?

Mr. BRYCE: No, sir. These are the total amounts that we pay.

Hon. Mr. ASELTINE: These are the actual salaries paid?

Mr. BRYCE: Yes, sir. What the provinces pay us we take into revenue.

Hon. Mr. ASELTINE: So the figures here are not the net expenditures, because you get some of the money back?

Mr. BRYCE: Yes, sir. From all the provinces except one we get back \$1,400 per man per year for the numbers covered in the contract with the respective provincial governments.

Hon. Mr. REID: Who gets the fines that are collected under prosecutions?

Mr. BRYCE: I am sorry, sir, I cannot tell you that. That is a rather complicated matter.

Hon. Mr. HAIG: They go to the Attorney General of the province, in part.

Hon. Mr. REID: That charge of \$1,400 per man is a very attractive one for a municipality. In the municipality where I live there are twice as many R.C.M.P. men as local police. There is a good deal of revenue from prosecutions, and the cost of only \$1,400 per man is rather attractive to the municipality.

Hon. Mr. HAIG: There is a division of the fines between the province and the municipality concerned. The portion of a fine relating to prosecution by the province goes to the province, and the portion relating to prosecution by the city goes to the city.

Hon. Mr. BOUFFARD: What is the reason for charging the provinces that figure of \$1,400 a year?

Mr. BRYCE: That is a basic question of policy, sir. However, I think I can tell you that the Minister of Justice and the government believe that it lends to efficiency to have the one force carrying out provincial and federal policing activities, that from the combined viewpoint of the two governments there is an advantage in having the same force.

Hon. Mr. BOUFFARD: The government has to maintain a certain number of R.C.M.P. constables in every province to enforce federal law, regardless of whether Mounted Police are used for provincial purposes?

Mr. BRYCE: Yes, sir.

Hon. Mr. HAIG: We have had the Mounted Police do provincial work in Manitoba for many years, and we do not think it costs the dominion government a cent to do the provincial policing. The force would have to be there to see that the federal laws were carried out, in any event.

Hon. Mr. REID: I still say that the offer to furnish a Mounted Policeman at \$1,400 is an attractive offer to a municipality. If the thing was done on a business basis, why should the municipality not pay the full cost of maintaining the policemen? I know, of course, that this policy has been carried on by every government—at least ever since I came here.

Hon. Mr. HAIG: Lawyers know what an advantage there is in having laws of the different jurisdictions enforced by the same police. The city of Winnipeg has its own police force, and a lot of confusion arises often when men are arrested outside the city limits.

Hon. Mr. REID: We find that local matters are more efficiently dealt with by local police.

Hon. Mr. ISNOR: Mr. Chairman, Mr. Bryce has indicated that the federal government charges each provincial government \$1,400 per R.C.M.P. constable. Has he the overall figure of the cost to the federal government of maintaining one R.C.M.P. constable?

Mr. BRYCE: Well, sir, that is a matter of opinion, in the sense that we have to spread the overhead costs around in making a calculation—the costs of headquarters administration, and things like that. But broadly speaking, sir, I would say that, in the fiscal year to which these figures relate, our estimate in the Finance Department is that it costs about \$5,000 per man to operate the R.C.M. Police.

Hon. Mr. ISNOR: Then the federal government is contributing to the respective provinces approximately the difference between \$5,000 and \$1,400 for each R.C.M.P. constable used in the provincial service?

Hon. Mr. HAIG: That is not altogether correct. Take the situation in Manitoba, for instance. Before our provincial government entered into a contract with the federal government to have the provincial policing done by the R.C.M.P. we had, say, 50 Mounted Policemen enforcing federal laws in the province. The government was paid nothing at all by the province on account of those constables. Now we have, say, 200 Mounted Policemen, for whom we pay \$1,400 per man. They are enforcing federal as well as provincial laws, and I do not think that they are costing the dominion government anything extra at all.

Hon. Mr. ISNOR: I do not know about Manitoba.

The CHAIRMAN: Order, please.

Hon. Mr. ISNOR: Mr. Chairman, I am addressing the Chair. I always do.

Mr. Chairman, I want that put on the record. I think the answer is quite satisfactory: Roughly speaking, \$5,000 per man.

Hon. Mr. HAIG: That is not what he said—including the overhead.

Mr. BRYCE: Yes, sir. I should perhaps make clear that the figure I was taking was the total operating costs of the R.C.M. Police divided by the number of members of the force. The Commissioner would probably feel that we perhaps should include the civil servants that go to make up the force; he likes to feel that they are all working for the force.

Hon. Mr. ISNOR: I think the answer is quite satisfactory.

Mr. BRYCE: There are various amendments one might make, but broadly speaking I have divided the total operating costs by the number of persons on the force, and arrived at the figure of about \$5,000.

Hon. Mr. ISNOR: That is what I wanted to find out.

Mr. BRYCE: Anybody could do the arithmetic.

Hon. Mr. BURCHILL: Let me get one point clear, forgetting for the moment the city of Winnipeg and the province of Manitoba, and concentrating on Nova Scotia. Suppose that the province of Nova Scotia decided that it would set up its own provincial police force and it did not want any R.C.M.P. men, would not the Department of Justice or the Federal Government be obliged to police Nova Scotia with their own R.C.M.P., in that event, regardless of whether a deal had been made with the province?

Mr. BRYCE: They would require some police there.

Hon. Mr. DUPUIS: In the province of Quebec, Mr. Chairman, we have no regular R.C.M.P. for police duties.

Hon. Mr. BOUFFARD: Except in federal matters.

Hon. Mr. DUPUIS: Except in federal matters. How is the cost worked out for those R.C.M.P. in the province of Quebec? Does the Federal Government pay \$1,400 per man or does it pay the full salary?

Hon. Mr. BOUFFARD: They pay the full salary; the provincial government does not pay.

Hon. Mr. DUPUIS: With all due respect to my colleague, I am speaking to the chairman and I should like an answer from the witness.

Hon. Mr. BOUFFARD: I am sorry.

Mr. BRYCE: The figure of \$1,400 that I spoke of, sir, is the rate at which the provincial government pays for the number of policemen provided for in the contract between the provinces and the R.C.M. Police.

Hon. Mr. DUPUIS: But that does not apply to Quebec.

Mr. BRYCE: There is no such contract in Quebec, so there is no payment there. Such police officers as there are in Quebec are of course paid on the same basis, rank for rank, as in any of the others, but they are engaged only in federal matters and do not act as provincial police.

Hon. Mr. DUPUIS: Then I think Senator Isnor's understanding is completely contrary to what the witness now said.

Hon. Mr. ISNOR: No; my understanding is correct.

Hon. Mr. DUPUIS: I understood the witness to say that \$1,400 was paid by each province, is that right?

Mr. BRYCE: There are eight provinces—all except Ontario and Quebec—which have these agreements. I believe in the case of Saskatchewan the rate is less than \$1,400 because the agreement was entered into some years ago, but in the other seven provinces I believe they are all paying the same rate.

Hon. Mr. DUPUIS: What I am saying is that in those provinces where there is an agreement, the R.C.M.P. are handling the policing in the provinces at \$1,400 per man, is that right?

Mr. BRYCE: It is paid by the province to the federal government for each policeman supplied under the agreement.

Hon. Mr. DUPUIS: And the balance of the salary is paid by the federal government?

Mr. BRYCE: Yes, sir.

Hon. Mr. HAWKINS: Mr. Chairman, if the figure of \$5,000 per man is to go in as part of your permanent record, I think in fairness to the witness he should check the amount; he will find that in the estimates the figure is \$17 million, but we have the further figure of about \$24 million. Something may not be included in the first figure.

Mr. BRYCE: The \$5,000 includes more than pay and allowance; it covers the whole operation.

Hon. Mr. HAWKINS: This \$17 million is before pay and allowance.

Mr. BRYCE: Yes.

Hon. Mr. HAIG: Then the \$5,000 is not paid to each man. What is the individual policeman in, say, British Columbia paid?

Mr. BRYCE: It would depend on his rank and experience.

Hon. Mr. HAIG: The regular constable; I am not talking about officers.

Mr. BRYCE: I am sorry, but I cannot give the rate for each, but it starts at \$2,400 a year for the recruit, and goes up.

Hon. Mr. HAIG: Then the \$5,000 includes not only salary, but overhead expenses as well.

Mr. BRYCE: Yes.

Hon. Mr. BOUFFARD: And would include possibly the training of a man before he goes on the force?

Hon. Mr. GOLDING: Mr. Chairman, could Mr. Bryce tell us how many police officers there are in the province of Quebec and the province of Ontario?

Mr. BRYCE: I have some figures on that, but I am not sure that I am competent to interpret them properly. The number of police in uniform are broken down into divisions; I have the figures for the various divisions. There are several divisions in Ontario, for example, and those include a sort of headquarters division. As a further example, in Saskatchewan there is the depot where training and centralized work is going on. Whether the figures I have give a fair picture of the distribution, I do not know. In the Quebec Division C there are 220 uniformed police; in Ontario, Division N, there are 171; Division A, 428 and Division O, 180. You can see the disparity between Ontario and Quebec, indicating that there are policemen engaged in training and other things and not in actual police work in the province. I do not think this would show the reasonable distribution.

Hon. Mr. GOLDING: What I have in mind is that there has to be so many policemen provided by the Federal Government for the provinces whether they have an agreement with the Dominion or not.

Mr. BRYCE: Yes, sir.

Hon. Mr. GOLDING: For instance, how many police has the province of Manitoba, or Saskatchewan, each of which are under an agreement?

Mr. BRYCE: A year ago Manitoba had 283. I would suggest, however, that much more useful information could be had by calling the Commissioner before the committee to state briefly what the facts are; he is quite familiar with them.

Hon. Mr. GOLDING: It is quite evident that in the provinces where there is an agreement there are a good many more police according to the population.

Mr. BRYCE: Yes.

The CHAIRMAN: Perhaps we could now pass to No. 4.

Hon. Mr. REID: I suggest we adjourn.

The CHAIRMAN: If it is the wish of the committee we will adjourn now, until next Tuesday, when we will try to have another meeting.

Hon. Mr. ASELTINE: There is one other important committee sitting that day.

The CHAIRMAN: We have before us quite a substantial volume of work. I suggest that hereafter we meet at 11 o'clock spend two full hours on the work, and make the most progress possible. I am particularly anxious to get along with this work in the next few weeks. We do not wish to be in the position we were in a year ago, when our committee had hearings right up almost to the last day of the session, and it was necessary to hurriedly write a report and submit it to the house and have it discussed. I would like to get finished in good time this year, and I rely on the committee. I am going to push them pretty hard at future sittings. You will get notice to meet on Tuesday.

EXHIBIT No. 1

SUMMARY OF ANNUAL ESTIMATES

BY STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

This Summary, which is similar in form to the one prepared in the spring of 1951, sets out, by Standard Objects and Special Categories, the provision included in the Estimates for the current and certain previous years. The detail for the current year (1952-53) has been taken directly from the "Summary of Standard Objects of Expenditure and Special Categories" which is enclosed in an envelope at the back of the Blue Book of Estimates for 1952-53. The figures for 1951-52 exceed those shown on that "Summary" because they have been increased by the amounts included in the Further Supplementary Estimates (2) and (3), 1951-52, which were passed on April 1, 1952. For each past year, total Estimates are shown in each case.

As was indicated in the notes concerning the Summary which was prepared last year, the Estimates for 1949-50 and 1938-39 were not susceptible to accurate classification on this basis as the Estimates of more recent years have been because the breakdowns for those years did not conform in all instances to the Standard Object pattern. Where accurate classification was not possible, judgment was exercised in deciding where to include the items in question. Moreover, in some places, where provision was made for a combination of purposes now covered by separate Standard Objects, it was only possible to arrive at a rough proportionate breakdown among the Objects now used.

Minor adjustments have also been made in the figures for 1951-52 where Objects have since been re-defined in an effort to improve the classification but, apart from four major readjustments, it has not been thought worth while to carry minor adjustments back into the figures for the earlier years, because such adjustments require a disproportionate expense in tracing details in various departments.

SUMMARY OF ANNUAL ESTIMATES

BY STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

DEPARTMENT OTHER THAN DEFENCE

	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(1) Civil salaries and wages	333,888	309,552	284,505	276,931	74,271
(2) Civilian allowances ...	7,631	6,674	5,964	5,172	1,183
(3) Pay and allowances R.C.M. Police	17,138	14,741	10,157	8,227	3,750
(4) Professional and special services	25,904	27,349	23,926	22,155	4,104
(5) Travelling and removal expenses	13,991	14,425	13,816	12,808	3,504
(6) Freight, express and cartage	2,598	2,573	2,159	2,097	479
(7) Postage	3,275	3,203	3,092	2,918	449
(8) Telephones, telegrams and other communica- tion services	5,638	5,009	4,740	4,475	689
(9) Publication of depart- mental reports and other material	4,368	4,526	4,250	3,950	....
(10) Films, displays, adver- tising and other infor- mational publicity	7,347	7,146	6,681	6,155	1,794
(11) Office stationery, sup- plies, equipment and furnishings	12,135	12,220	11,537	11,356	2,464

STANDING COMMITTEE

	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(12) Materials and supplies	43,082	39,978	37,627	32,920	5,957
Buildings and works, including land—					
(13) Construction or acquisition	136,449	131,094	146,679	144,949	30,631
(14) Repairs and upkeep	17,790	16,430	18,392	15,103	2,958
(15) Rentals	8,840	8,303	8,031	7,194	1,763
Equipment—					
(16) Construction or acquisition	20,846	18,206	19,980	16,482	2,013
(17) Repairs and upkeep	5,850	5,322	5,050	4,386	584
(18) Rentals	1,144	1,083	1,162	597	....
(19) Municipal or public utility services	6,991	6,193	5,334	4,371	924
(20) Contributions, grants, subsidies, etc., not included elsewhere	99,803	115,615	182,935*	116,023	50,629
(21) Pensions, super-annuation and other benefits..	17,857	116,296*	87,387*	9,168	5,446
(22) All other expenditures (other than special categories)	17,628	16,158	20,881	31,689	12,254
Total standard objects	810,183	882,096	904,285	739,126	205,846
<i>Special Categories</i>					
(23) Interest on public debt and other debt charges..	435,518	437,674	433,046	451,441	132,368
(24) Subsidies and special payments to the provinces	32,368*	115,135	106,335	127,365	21,210
(25) Family allowances payments	332,150	320,000	307,000	284,880	....
(26) Old age pensions and assistance and allowances to the blind	345,000*	187,350*	104,697	74,646	30,541
(27) Veterans disability pensions and other payments under the Pension Act	125,546	103,775	99,739	101,589	40,920
(28) Other payments to veterans and dependents	40,653	56,811	63,578	92,929	9,445
(29) Government's contribution to the unemployment insurance fund ..	32,000	30,200	26,350	23,000	....
(30) General health grants	27,500	25,000	25,000	33,200	....
(31) Trans-Canada highway contributions	15,000	15,238	21,350	....	....
(32) Movement of mail by land, air and water (Post Office)	40,054	38,185	38,557	34,104	15,574
(33) Deficits—government owned enterprises	2,971*	17,895	10,778	49,407	57,185
Total special categories ..	1,428,700	1,347,263	1,236,430	1,272,561	307,243
Total standard objects and special categories	2,238,883	2,229,359	2,140,715	2,011,687	513,089
(34) Less estimated savings and recoverable items	9,523	24,930*	4,886	2,772	104
Net Total estimated expenditures	2,229,360	2,204,429	2,135,829	2,008,915	512,985

NOTES*

- (20) Includes a payment of \$65 million to the Canadian Wheat Board.
- (21) Includes \$75 million in 1950-51 and 1951-52, being the First and Second Instalments of a special Government Contribution to the Civil Service Superannuation Account.
- (24) Does not include payments of Compensation to Provinces which will undoubtedly be required when new Tax Rental Agreements are entered into in 1952. Only the final instalments payable under existing Agreements are included in this amount.
- (26) This category includes the amount shown in the Estimates as the total payments of Old Age Security pensions from the Old Age Security Fund.
- (33) Does not include in 1952-53 such items as the C.N.R. Deficit as the practice has been to provide for such items in the Further Supplementary Estimates at the end of the fiscal year.
- (34) Includes a \$19 million adjustment entry (anticipated revenue from specific taxes earmarked for the Old Age Security Fund—Vote 608, Further Supplementary Estimates (2), 1951-52), but no such adjusting item is included for 1952-53.

SUMMARY OF ANNUAL ESTIMATES
BY STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
NATIONAL DEFENCE, *DEFENCE PRODUCTION AND CIVIL DEFENCE					
(1) Civil salaries and wages	81,429	61,790	44,625	41,611	2,586
(2) Civilian allowances ...	715	1,104	487	316	2
(3) Pay and allowances, defence forces	251,494	208,597	138,346	112,526	11,395
(4) Professional and special services	11,767	8,675	4,822	3,897	198
(5) Travelling and removal expenses	32,430	22,188	13,985	10,964	1,101
(6) Freight, express and cartage	17,951	10,797	8,660	5,974	167
(7) Postage	463	479	255	253	6
(8) Telephones, telegrams and other communication services	5,239	3,477	2,409	2,074	57
(9) Publication of departmental reports and other material	2,619	2,175	1,381	1,276	....
(10) Films, displays, advertising and other informational publicity	3,115	3,616	1,995	1,022	5
(11) Office stationery, supplies, equipment and furnishings	6,164	6,071	2,488	1,662	232
(12) Materials and supplies	383,342	296,221	108,225	64,568	190
Buildings and works, including land—					
(13) Construction or acquisition	330,784	311,465	77,160	52,384	4,261
(14) Repairs and upkeep	39,608	30,054	20,537	15,448	1,046
(15) Rentals	1,276	1,050	974	840	....
Equipment—					
(16) Construction or acquisition	711,504	609,279	127,142	73,988	12,265
(17) Repairs and upkeep	139,752	98,772	62,074	45,604	588
(18) Rentals	2	....	....	....	....
(19) Municipal or public utility services	5,754	3,576	3,402	2,964	....
(20) Contributions, grants, subsidies, etc., not included elsewhere	3,696	1,862	4,190	1,383	104

* No provision for Defence Production during 1938-39. For 1949-50, only Canadian Arsenals, Limited is included in the figures in this table.

STANDING COMMITTEE

	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(21) Pensions, super- annuation and other benefits	35,743	36,234	16,163	14,365	2
(22) All other expenditures (other than special categories)	42,164	13,163	206,849	6,838	1,762
Total standard objects ...	2,107,011	1,730,645	846,169	459,957	35,967
(23)-(33) Special categories	....	....	....	....	....
Total standard objects and special categories	2,107,011	1,730,645	846,169	459,957	35,967
(34) Less estimated sav- ings and recoverable items	575	2,723	55,186	68,823	....
Net total estimated expenditures	2,106,436	1,727,922	790,983	391,134	35,967

SUMMARY OF ANNUAL ESTIMATES
BY STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES
TOTAL, ALL DEPARTMENTS

	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(1) Civil salaries and wages	415,317	371,342	329,130	318,542	76,857
(2) Civilian allowances ...	8,346	7,778	6,451	5,488	1,185
(3) Pay and allowances, defence forces and R.C.M. Police	268,632	223,338	148,503	120,753	15,145
(4) Professional and special services	37,671	36,024	28,748	26,052	4,302
(5) Travelling and removal expenses	46,421	36,613	27,801	23,772	4,605
(6) Freight, express and cartage	20,549	13,370	10,819	8,071	646
(7) Postage	3,738	3,682	3,347	3,171	455
(8) Telephones, telegrams and other communica- tions services	10,877	8,486	7,149	6,549	746
(9) Publication of depart- mental reports and other material	6,987	6,701	5,631	5,226	....
(10) Films, displays, adver- tising and other infor- mational publicity	10,462	10,762	8,676	7,177	1,799
(11) Office stationery, sup- plies, equipment and furnishings	18,299	18,291	14,025	13,018	2,696
(12) Materials and supplies Buildings and works, including land—	426,424	336,199	145,852	97,488	6,147
(13) Construction or acquisition	467,233	442,559	223,839	197,333	34,892
(14) Repairs and upkeep	57,388	46,484	38,929	30,551	4,004
(15) Rentals	10,116	9,353	9,005	7,034	1,763
Equipment—					
(16) Construction or acquisition	732,350	627,485	147,122	90,470	14,278
(17) Repairs and upkeep	145,602	104,094	67,124	49,990	1,172
(18) Rentals	1,146	1,083	1,162	597	....
(19) Municipal or public utility services	12,745	9,769	8,736	8,335	924
(20) Contributions, grants, subsidies, etc., not in- cluded elsewhere	103,499	117,477	187,125*	117,406	50,733

	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(21) Pensions, superannuation and other benefits..	53,600	152,530*	103,550*	23,533	5,448
(22) All other expenditures (other than special categories)	59,792	29,321	227,730	38,527	14,016
Total standard objects	<u>2,917,194</u>	<u>2,612,741</u>	<u>1,750,454</u>	<u>1,199,083</u>	<u>241,813</u>
<i>Special Categories</i>					
(23) Interest on public debt and other debt charges..	435,518	437,674	433,046	451,441	132,368
(24) Subsidies and special payments to the provinces	32,308*	115,135	106,335	127,365	21,210
(25) Family allowances payments	332,150	320,000	307,000	284,880	....
(26) Old age pensions and assistance and allowances to the blind.....	345,000*	187,350*	104,697	74,646	30,541
(27) Veterans disability pensions and other payments under the Pension Act	125,546	103,775	99,739	101,589	40,920
(28) Other payments to veterans and dependents	40,653	56,811	63,578	92,929	9,445
(29) Government's contribution to the unemployment insurance fund ...	32,000	30,200	26,350	23,000	....
(30) General health grants	27,500	25,000	25,000	33,200	....
(31) Trans-Canada highway contributions	15,000	15,238	21,350	....	....
(32) Movement of mail by land, air and water (Post Office)	40,054	38,185	38,557	34,104	15,574
(33) Deficits—Government and enterprises	2,971*	17,895	10,778	49,407	57,185
Total special categories..	<u>1,428,700</u>	<u>1,347,263</u>	<u>1,236,430</u>	<u>1,272,561</u>	<u>307,243</u>
Total standard objects and special categories	4,345,894	3,960,004	2,986,884	2,471,644	549,056
(34) Less estimated savings and recoverable items ..	10,098	27,653*	60,072	71,595	104
Net total estimated expenditures	<u>4,335,796</u>	<u>3,932,351</u>	<u>2,926,812</u>	<u>2,400,049</u>	<u>548,952</u>

NOTES*

- (20) Includes a payment of \$65 million to the Canadian Wheat Board.
- (21) Includes \$75 million in 1950-51 and 1951-52, being the first and second instalments of a special government contribution to the Civil Service Superannuation Account.
- (24) Does not include payments of compensation to provinces which will undoubtedly be required when new Tax Rental Agreements are entered into in 1952. Only the final instalments payable under existing Agreements are included in this amount.
- (26) This category includes the amount shown in the Estimates as the total payments of Old Age Security pensions from the Old Age Security Fund.
- (33) Does not include in 1952-53 such items as the C.N.R. Deficits as the practice has been to provide for such items in the Further Supplementary Estimates at the end of the fiscal year.
- (34) Includes a \$19 million adjustment entry (anticipated revenues from specific taxes earmarked for the Old Age Security Fund—Vote 608, Further Supplementary Estimates (2), 1951-52), but no such adjusting item is included for 1952-53.

EXPLANATORY NOTES COVERING THE STANDARD OBJECTS
OF EXPENDITURE AND SPECIAL CATEGORIES

STANDARD OBJECTS (ITEMS 1 to 22)

1. *Civil Salaries and Wages*

Includes salaries and wages of all civilian full time, part time, seasonal and casual personnel normally considered as "Government Employees" (but does not include employees of Crown Companies and such Agencies) whether paid at hourly, daily, weekly, monthly or annual rates of pay and includes overtime or any other special pay. It also includes Judges' salaries, those of the Governor General and Lieutenant Governors and the indemnities to Members of both Houses of Parliament but does not include persons engaged for a specific project where pay and other costs would normally enter into the total cost of the project.

2. *Civilian Allowances*

Includes all types of Allowances paid to or in respect of personnel normally considered as "Government Employees", such as Living Allowances, Terminable Allowances, Officer-in-Charge Allowances, Living and Representation Allowances Abroad, Special Service Allowances, Mileage Allowances to Railway Mail Service Staffs, Allowances for Assistants, Northern Allowances, Isolation Allowances, Board and Subsistence Allowances, and other such allowances. Also includes Ministers' Motor Car Allowances, and the Expense Allowances to Senators and Members of the House of Commons.

3. *Pay and Allowances—Defence Forces and R.C.M. Police*

Includes Pay and all types of allowances (except travel allowances included in Item No. 5 below) payable to members of the Defence Forces and the Royal Canadian Mounted Police, including Subsistence Allowances and other perquisites common to such Services.

4. *Professional and Special Services*

Includes provision for services performed by individuals or organizations outside a particular departmental service, other than such services identified with specific works projects or with projects and programs for which provision is made under Items 9 and 10; payments in the nature of fees, commissions, etc. for professional and special services such as legal services, architects', engineers', analysts' and accountants' services, reporters', translators', and writers' services; medical and dental services, Doctors and Nurses for Veterans Treatment and examination of Pension Applicants, Hospital Treatment and Care and other outside technical, professional and other expert assistance; annuities and other agents paid on a fee or commission basis, payments to church organizations for Indian education and Corps of Commissionaires services. It includes armoured car service and other operational and maintenance services performed under contract other than those more properly classified under other Objects, such as the Marconi-operated Radio Stations of the Department of Transport which are included in Item No. 8.

5. *Travelling and Removal Expenses*

Includes Travelling and Transportation expenses of Government Employees, Members of the Defence Forces and the Royal Canadian Mounted Police, removal expenses of those persons and their dependents, and living and other expenses of such persons on travel status; Judges' travelling expenses and travelling expenses and allowances payable to Senators and Members of the House of Commons. It also includes transportation of persons by contract and chartered facilities or by other means, automobile mileage, aeroplane

fares, local transportation, etc., travelling expenses of persons engaged in field survey work, inspections and investigations. Does not include Travelling and Transportation of other than Government Employees such as travel costs for Deports, Applicants for Treatment or Pensions (Veterans), etc., which are classified under Item No. 22.

6. *Freight, Express and Cartage*

Includes the cost of transportation of goods other than initial delivery costs on a purchase which is included in the Object covering the cost of the purchase itself. These costs range from the movement of mails from city Post Offices to the various Government Departments, to the movement of heavy equipment between camps and other establishments of the Defence Services.

7. *Postage*

Includes ordinary postage, air mail, registered mail, special delivery mail, Post Office Box rentals and any other postal charges. Does not, of course, include provision for mail enjoying the "frank" privilege.

8. *Telephones, Telegrams and Other Communication Services*

Includes all costs of communication services by telephone, telegram, cable, teletype, radio and wireless communication, and includes tolls, rates, rentals and other communication costs such as Courier Services provided by outside agencies and communication services performed under contract or agreement such as the Marconi-operated Radio Stations of the Department of Transport.

9. *Publication of Departmental Reports and other Material*

Includes provision for the publication, through the Queen's Printer of Departmental Reports and other material, including informational and educational bulletins and pamphlets; publications on scientific and technical matters, natural resources, statistics and other such material; *Hansard* and other Parliamentary Papers; maps, charts, etc. The costs of printing, binding, engraving, lithographing, artwork, mats, writers' fees, and other costs attributable to specific publication projects and programs are included hereunder, with the exception of those belonging under Objects Nos. 1, 2 and 5. The costs of publications and material produced wholly within a Service are distributed throughout other Objects. The printing of forms and other stationery is included under Object No. 11.

10. *Films, Displays, Advertising and Other Informational Publicity with the Exception of Publications*

Includes provision for films, displays and other visual materials; advertising for publicity and general purposes, including advertising for tenders (except that charges directly arising from specific construction projects or purchases are included under such headings). It includes publication of proclamations, announcements, notices, etc., and various forms of educational and informational publicity by radio, poster, press and other means. The costs of artwork, writers' fees, casual employees hired for a specific project, and other costs attributable to the foregoing are included hereunder with the exception of those belonging under Objects Nos. 1, 2 and 5, and the costs of projects or programs produced wholly within a service where the costs are distributed throughout other objects. Total provision for the operation of the National Film Board and the International Service of the Canadian Broadcasting Corporation is included under this item.

11. *Office Stationery, Supplies, Equipment and Furnishings*

Includes stationery, envelopes, blotting paper and other office supplies such as pens, pencils, erasers, ink, etc.; printed forms, including tax return, statistical

and like forms; letterheads; ledgers and ledger sheets, carbon paper, stencils and other paper supplies; the purchase, repair and rental of office machines and appliances, including typewriters, adding machines, calculators, recording machines, tabulating machines, microfilming equipment and supplies, inter-office communication equipment, postal meter machines, machine records and all other office equipment; also includes, desks, chairs, filing cabinets and such office furnishings; books, newspapers and periodicals for office or library use.

12. *Materials and Supplies*

Includes provision for materials and supplies required for normal operation and maintenance of government services (other than office stationery, supplies and furnishings). It includes gasoline and oil purchased in bulk; fuel for ships, planes, transport, heating, etc.; feed for livestock; food and other supplies for ships and other establishments; livestock purchased for ultimate consumption or resale; seed for farming operations; food, clothing and other supplies for sick and indigent Indians; text books and school supplies purchased for Indian schools; books and other publications purchased for outside distribution; uniforms and kits; coining and refining supplies for the Mint; photographs, maps and charts purchased for administrative and operational purposes; laboratory and scientific supplies, including samples for testing; drafting, blue-printing and artists supplies; supplies for surveys, investigations, etc.; chemicals, hospital, surgical and medical supplies; mail bags for transportation of mails; char service supplies; coal, wood and electrical supplies; and all other materials and supplies other than those purchased for construction or repair projects which would normally be charged to such projects.

13. *Construction or Acquisition of Buildings and Works, including Acquisition of Land*

Includes provision for all expenditures on new construction of buildings, roads, irrigation works, canals, airports, wharfs, bridges and other such type of fixed asset, and reconstruction of such type of assets, improvements involving additions or changes of a structural nature, and also the installed cost of fixed equipment which is essentially a part of the work or structure such as elevators, heating and ventilating equipment, etc. It includes all such projects performed under contract or agreement or undertaken by a Department directly. The purchase of land is also included. The cost of casual employees hired for specific projects is included but not the cost of continuing employees assigned to work full or part time on such projects.

14. *Repairs and Upkeep of Buildings and Works*

Includes materials, supplies and other charges entering directly into the cost of repair and upkeep of the type of durable physical assets indicated under Item No. 13 above. It includes repair and upkeep projects performed under contract or agreement or undertaken by a department directly.

15. *Rentals of Land, Buildings and Works*

Includes provision for rentals of properties required for special purposes by the various departments and for the accommodation of government offices and services by the Department of Public Works. Also includes rentals of space for storage of motor cars and other equipment and supplies.

16. *Construction or Acquisition of Equipment*

Includes provision for all new machinery, equipment and furnishings (other than office equipment and office furnishings), and includes motor vehicles, aeroplanes, tractors, road equipment, laboratory and other scientific equipment, vessels, icebreakers and other aids to navigation and all other types of light and heavy equipment, and includes various types of such equipment for national

defence, such as ships, aircraft, mechanical equipment, fighting vehicles, weapons, engines, and such spare parts as are normally acquired with that equipment; workmen's tools, farm implements, furniture and furnishings required for other than normal office purposes. Also includes livestock, horses and dogs purchased for employment as such rather than for ultimate consumption or resale. (See Item No. 12 above.)

17. *Repairs and Upkeep of Equipment*

Includes all materials, repair and replacement parts and other costs entering directly into the cost of repair and upkeep of the type of equipment indicated in Item No. 16 above.

18. *Rentals of Equipment*

Includes provision for hire and charter—with or without crew—of vessels, aircraft, motor vehicles and other equipment (but excluding hire of such vehicles primarily for travel or cartage covered in other items, or hire of vehicles or other equipment for works projects where the rental would normally be included in the costs of the projects).

19. *Municipal or Public Utility Services*

Includes provision for all payments for services of a type normally provided by a municipality, school board, or public utility service such as the supply of water, electricity, gas, etc., and includes water rates, light, power and gas services; school fees; and payment for such services whether obtained from the municipality or elsewhere; taxes and water rates on diplomatic properties. Also includes payments to municipalities in lieu of taxes and local improvement charges.

20. *Contributions, Grants, Subsidies, etc., Not Included Elsewhere*

Includes contributions to international and other organizations; contributions toward the cost of joint undertakings and programs not directly the responsibility of the Federal Government; contributions or grants to governments outside of Canada, whether in money or in kind; grants to national organizations such as the Boy Scouts Association and agricultural, health, welfare and similar organizations; subsidies to primary and other industries; contributions under agreements with the Provinces for vocational training and other purposes, unless otherwise provided for in special categories; payments under the Maritime Freight Rates Act; grants to various exhibitions, etc.; research grants and other assistance toward research carried on by non-governmental organizations; scholarships and similar payments. Does not include Grants to Municipalities in lieu of taxes (Item No. 19); Subsidies and Special Payments to the Provinces (Item No. 24); Government's contribution to the Unemployment Insurance Fund (Item No. 29); General Health Grants paid to Provinces (Item No. 30); contributions to the Provinces for the Trans-Canada Highway (Item No. 31); nor the Deficits on Government Owned Enterprises (Item No. 33).

21. *Pensions, Superannuation and Other Benefits in Consideration of Personal Services*

Includes pensions, superannuation and other benefits to former civilian Government employees and ex-members of the Royal Canadian Mounted Police or their dependents. It also includes payment of compensation under the Government Employees Compensation Act, the Government's contribution to the Superannuation Fund, Sick Mariners Dues, Judges Pensions, Gratuities in lieu of Retiring Leave, Gratuities to Families of Deceased Employees, payments under the Defence Services Pension Act and the Government's contribution as an employer to the Unemployment Insurance Fund. It does not, however,

include the Government's contribution to the Unemployment Insurance Fund which represents one-fifth of the net amount contributed by employers and employees combined (Item No. 29), Disability Pensions in respect of World Wars 1 and 2 (Item No. 27), nor Other Payments to Veterans and Dependents (Item No. 28).

22. *All Other Expenditures (Other than Special Categories)*

Includes minor residual items shown as "Sundries" in practically all votes. These include such costs as towel service, laundering and dry cleaning, loss of personal effects, bonding of Government employees, and other small miscellaneous articles and services. It includes licences, permits, dockage, towage, wharfage and mooring privileges; works of art for exhibits, and historical material for galleries, museums and archives. It includes travel costs incurred for other than Government employees, e.g., immigrants, veteran patients and migrant labour. Also included is provision for many items and services detailed throughout the Estimates which do not lend themselves to distribution under the specific headings detailed in this Summary.

SPECIAL CATEGORIES (ITEMS 23 TO 33)

23. *Interest on Public Debt and Other Debt Charges*

Includes interest on the Funded Debt of Canada (including Treasury Bills) and on other liabilities such as Trust and Other Special Funds. It also includes costs of issuing new loans, Annual Amortization of Bond Discount, Premiums and Commissions, and other costs of servicing the Public Debt.

24. *Subsidies and Special Payments to the Provinces*

Includes Provincial Subsidies payable under the British North America Act and subsequent arrangements; Special Compensation to the Provinces in lieu of certain taxes as provided in the Tax-Rental Agreements. It also includes certain payments to Newfoundland under the Terms of Union. In general, it does not include payments made to Provinces for expenditure for specific purposes, some of which are included in Items Nos. 20, 26, 30 and 31.

25. *Family Allowance Payments*

Payments of monthly allowances authorized by the Family Allowances Act—Chap. 40, Statutes of 1944-45 (as amended).

26. *Old Age Pensions, including Allowances to the Blind*

Includes pensions authorized by the Old Age Security Act, payment of the Federal Government's 50% share of old age assistance authorized by the Old Age Assistance Act, and payment of the Federal Government's 75% share of allowances paid to blind persons under the Blind Persons Act.

27. *Veteran's Disability Pensions and Other Payments under the Pension Act*

Includes pensions and other payments authorized under the Pension Act, the Civilian War Pensions and Allowances Act and the Civilian Government Employees (War) Compensation Order. This covers both Wars 1 and 2 and includes a small amount in respect of the Northwest Rebellion of 1885.

28. *Other Payments to Veterans and Dependents*

Includes provision for War Veterans Allowances, including the Assistance Fund, Veterans Hospital and Other Allowances, Unemployment Assistance for Veterans, Post Discharge Rehabilitation Benefits, War Service Gratuities, Re-establishment Credits, and other Sundry Items.

29. *Government's Contribution to the Unemployment Insurance Fund*

Provides for the Government's contribution to the Unemployment Insurance Fund and represents one-fifth of the net amount contributed by employers and employees combined.

30. *General Health Grants*

Provides for General Health Grants to the Provinces under terms and conditions approved by the Governor in Council to assist in Health Surveys, Hospital Construction, strengthening general public health services, eradication of tuberculosis, prevention of mental illness, control of venereal diseases, prevention and correction of crippling conditions in children, training of public health and hospital personnel, public health research and programs for cancer control.

31. *Trans-Canada Highway Contributions*

Covers payments to those Provinces which have entered into agreements with the Federal Government under the Trans-Canada Highway Act, Chap. 40, Statutes of 1949, in respect of the construction of the Trans-Canada Highway.

32. *Movement of Mail by Land, Air and Water (Post Office)*

Includes provision under the Post Office Department for Mail Service by Railway, by Steamboat, by Air and by Ordinary Land Conveyance, including Rural Mail Delivery.

33. *Deficits—Government Owned Enterprises*

Includes provision for the Deficits incurred in the operation of the Hudson Bay Railway, the Northwest Communications System, the Prince Edward Island Car Ferry and Terminals, the Canadian National (West Indies) Steamships, Limited, and Churchill Harbour.

34. *Less—Estimated Savings and Recoverable Items*

In certain special instances it is necessary for commitment and control purposes to detail total requirements of services but, in order that the actual amount of cash requirements only may be voted, deductions are made of estimated savings or recoverable amounts. Since the Standard Objects are made up of the gross requirements, the total of those Objects must be reduced by these deductions in order to arrive at the total amount provided in the Estimates.

1952

THE SENATE OF CANADA

Government
Publications



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953.

No. 2

WEDNESDAY, MAY 14, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Secretary of Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1952

THE STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

The Honourable Senators:

Aseltine	Fraser	Pirie
Baird	Gershaw	Quinn
Barbour	Golding	Reid
Beaubien	*Haig	*Robertson
Bouffard	Hawkins	Roebuck
Buchanan	Hayden	Stambaugh
Burchill	Horner	Taylor
Campbell	Isnor	Turgeon
Crerar	King	Vaillancourt
Dupuis	Lacasse	Vien (36)
Euler	Lambert	50 Members
Fafard	McDonald	(Quorum 9)
Farris	Paterson	*Ex officio member
Fogo	Petten	

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 14, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators:—Crerar, Chairman; Aseltine, Barbour, Beaubien, Bouffard, Burchill, Dupuis, Euler, Fafard, Fogo, Golding, Haig, Hawkins, Isnor, King, Lambert, McDonald, Quinn, Reid, Stambaugh, Taylor, Turgeon, Vaillancourt and Vien.—24.

Consideration of the order of reference of March 26, 1952, was resumed.

Mr. R. B. Bryce, Secretary of Treasury Board, was again heard.

At 1.00 p.m. the Committee adjourned until tomorrow, May 15, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Wednesday, May 14, 1952.

The Standing Committee on Finance, which was authorized to examine the Estimates for the fiscal year ending March 31, 1953, met this day at 11 a.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Gentlemen, will you please come to order? Before we proceed with further explanations from Mr. Bryce, may I briefly report that after consultation with the Steering Committee I got in touch with Dr. Jackson in Toronto, who indicated that he would be very glad to come, and we hope to have him here the last week of this month. I have also been in touch with Dr. Hope, whom Senator McDonald of our Steering Committee suggested might be able to give us some useful information with regard to how the present economic situation affects agriculture. I have heard from Dr. Hope, and he can be here almost any time we wish to have him. I have suggested possibly Wednesday or Thursday of next week which is quite satisfactory to him.

I have also written to Dr. Slichter of Harvard University, whom we tried to get a year ago. So far I have not heard from Dr. Slichter.

A week or ten days ago I circulated to all members of the committee a few documents consisting of, first, the one that we have under consideration now, namely, the analysis of the estimates by standard objects of expenditures and special categories; second, the figures on national production and net national income from 1939 to 1951; and third, the statement on the numbers in the Civil Service of Canada as received from Mr. Bryce's department. A slight error has been brought to my attention; at least, I think that it is not a substantial one.

Mr. BRYCE: No, sir. I have a letter addressed to you explaining the point.

The CHAIRMAN: But you will be re-drafting this part?

Mr. BRYCE: Yes.

The CHAIRMAN: Then we do not need the letter. This document was circulated among the members, but had not yet been given to the Press. A slight error has been discovered in the total number of the Civil Service. Members might destroy the copies of this document they now have and in a few days we will distribute a correct statement.

Mr. BRYCE: May I just say a word of explanation? There were two or three of the figures for earlier years which we found to be incorrect, and therefore they gave an incorrect comparison. I have given to the secretary the correct figures for the earlier years.

Hon. Mr. HAIG: And they will appear in the record?

Mr. BRYCE: They will be in the revised copy of the table, sir.

The CHAIRMAN: That clears up my contribution to the opening discussion of this meeting except to say for the information of the committee that the Bureau of Statistics are very doubtful if they can give us any worthwhile information on the incidents of taxation all over Canada on certain income groups, but Mr. Marshall, the Chief Statistician, suggested to me that he thought he might be able to get that information from the Canadian Tax Foundation in Toronto. That organization is backed by chartered accountants and lawyers, is wholly non-partisan in character and is objective in its approach to an

analysis of existing taxation in Canada. I have written to this organization and I suggest that when we meet again next week that I will be able to advise you of their reply.

I have one further thought. It is quite obvious that the committees of the Senate are going to be pressed for time. It was decided earlier that we should have a *Hansard* report of our proceedings. The Divorce Committees are still sitting on Mondays, Tuesdays and Fridays.

Hon. Mr. ASELTINE: For the balance of this month, and for the first two weeks in June it will sit on Mondays and Fridays only.

The CHAIRMAN: That throws a heavy burden on the reporting staff. This meeting, which was originally set for yesterday, was postponed until today because of the inability to get the proceedings reported. A new special committee has been set up on the motion of Senator Doone, and there are several other committees for which *Hansard* reports are required. We shall therefore have to adjust ourselves to some degree to meet the needs of these other committees. I am very desirous, as I know the members of the committee generally are, to push this work forward as rapidly as we can.

With those preliminary remarks, we will proceed.

Hon. Mr. HAIG: Before we proceed I have a suggestion to make. I did not mention it before the Steering Committee, because I did not think of it at that time.

I would suggest that if any member of the committee or of the house has any subject that he would like this committee to consider he should mention it to the Chairman who in turn can pass it on to the Steering Committee. If they think it proper and there is time to consider it, it will be taken up; but I do not want anyone to criticize the Steering Committee, if such suggestions do not receive consideration. The Steering Committee is a most representative body, and every consideration will be given to suggestions placed before it. I think, however, that everyone should be allowed the right to go to the Chairman, make his suggestions and have them placed before the Steering Committee.

The CHAIRMAN: I had hoped that today we might make very good progress with the continuation of the examination we had the other day. Mr. Bryce cannot be here tomorrow, so I have arranged with Mr. Marshall, of the Bureau, to send over his representative from the Bureau who has to deal with the national income and gross product figures and with the cost-of-living index; and Mr. Marshall hopes to come himself and give a brief explanation to the committee of the changes brought about by moving from a cost-of-living index to the new index that is a consumer's price index. So that is what we shall have tomorrow. I trust the committee will keep to questions directly bearing on the report we have before us. We have now to take up No. 5, Travelling and Removal Expenses, on that sheet you have before you. Any questions of Mr. Bryce on that?

Hon. Mr. HAIG: How is that split up?

Mr. BRYCE: That is set forth in our large analysis in the back of the estimates which, I believe, honourable senators have, and that gives the distribution of it by departments. Now of course within departments one can get it further by looking in the details of the estimates for each vote. For example, there is \$3,000,000 for the Department of Agriculture there, and one can find in what parts of the Agriculture Department it is by looking in the details of the estimates for that department.

If I may just give an example—

Hon. Mr. ISNOR: Just to make sure: are we on item No. 4 or No. 5?

The CHAIRMAN: No. 5.

Mr. ISNOR: I understood that we did the first three items at the first meeting.

The CHAIRMAN: I have marked off the first four on our list here.

Hon. Mr. HAIG: That is right. I have too.

The CHAIRMAN: So that brings us down to No. 5.

Mr. BRYCE: I was just going to indicate that if one looks under Administration Service in Agriculture, page 76, one will find there travelling expenses of \$14,000. Under Science Service on page 79 you will find \$30,000. In that way one can see the amount that is for each service.

The CHAIRMAN: The significant fact is, however, that for the Department of Agriculture as a whole the travelling and removal expenses this year are a little over \$3,000,000.

Hon. Mr. REID: In looking over the travelling allowances, it will be noted, if you go back some years, that there has been bit by bit a progressive increase until it has now reached \$14,000,000 for all departments exclusive of Defence. I can understand the necessity for the movement of troops, and that with our expansion in Defence, travelling expenses would thereby be increased. But when one goes to the various other departments one finds that year by year travelling and removal expenses have been increased until we have reached the amount of \$14,000,000. I was wondering what is the rule regarding removals; whom do they remove; what expenses are paid; and who is included under payments for removals; because \$14,000,000 is a lot of money.

Mr. BRYCE: It certainly is.

Hon. Mr. REID: It seems to me that, in many departments, when a man wants to go somewhere, it is a case of "away you go". Now, this is not a criticism of the government. Some members may so interpret it, but it is not so. We are endeavouring to help the government. We have expanded so rapidly and so far that no Cabinet Minister or group of Ministers can control this thing; and naturally departments may run off by themselves. At least, that is my view. And I repeat that I am not to be understood as criticizing the government when I ask about expenditures. But \$14,000,000 seems to me to be a heck of a lot of money for this one item, and I am a little worried about it.

Mr. BRYCE: It is. It is a great deal to spend on travel; and that is one of the matters to which the Department of Finance and the Treasury Board have both been giving attention in recent years. The problem arises, I would say, from the spreading nature of the government's activities. For example, if you look at the distribution by departments, you will find a large amount for travel and removal under Citizenship and Immigration which reflects a large number of immigration officers abroad. Other places where one gets quite a large increase for this purpose is the Department of Transport, which is spread all over the country, and the Department of Agriculture, which of course is the largest, and has so many inspectors out through the country travelling on one form of work and another; they require a tremendous amount of funds for that type of inspection work. That is where the bulk of the travel arises; it is from people who do their work either abroad or in travelling about on relatively modest tasks.

There is a second type of travel which is very much more difficult to control and where we have to rely very largely on the good sense of the departments themselves in the control of it, and that is in sending officers out from Ottawa under a statutory duty. Perhaps I could take one of the simplest types, which I recall having come up recently in connection with the

Civil Service Commission. It is the duty of the Civil Service Commission to verify the requirements for staff of the various departments and the classification of staff. In doing that, necessarily they have to send their men frequently to the places where the staff are to be employed. They try to decentralize the work as far as they can, but they cannot decentralize it all. I recall that last year they were short of travel funds, and they curtailed significantly the activities of these men in working outside of Ottawa. We noticed that, because it reflected on the possibility of our getting them to verify the need for staff in various places. I mention that only as an example of the sort of rather routine operations which do involve fairly substantial travelling expenses. As you see, the Civil Service Commission has Travelling and Removal Expenses of some \$66,000, which is largely for that sort of thing. There is also the travel and removal involved in sending people to international conferences. Of recent years there has been an enormous number of international conferences.

The big items are under External Affairs. As you see, there is \$451,000 this year in External Affairs for travelling and removal expenses. Perhaps half of that may be the cost of sending delegations to international conferences. The other half would be very largely the cost to the Department of External Affairs in sending its diplomatic officers abroad when they are going on duty, moving them from one post to another, or moving them home after they have completed a tour of duty.

Hon. Mr. EULER: What sort of check is there on these expenditures, or are they only checked by the auditors after the money has been spent? Is there any control as to the places to which they shall be sent or how this money shall be expended? Because a man can run up a large expense bill or a small one. He may be indulging in luxuries which are not necessary.

Mr. BRYCE: I think that little tag is just for a parking purpose.

Hon. Mr. LAMBERT: Well, there are a lot of them around.

Mr. BRYCE: I think it authorizes them to park in the compound.

Hon. Mr. ISNOR: Dealing particularly with item 5, Senator Reid drew attention to the fact that the amount had increased from \$3 million to \$14 million.

Mr. BRYCE: There are three stages of control. First there is the necessity for them to get their estimates for this purpose approved.

Hon. Mr. EULER: Yes, of course.

Mr. BRYCE: It is very difficult for anyone outside the department to understand, except either arbitrarily or with a tremendous amount of study, just exactly, let us say, what the Civil Service Commission requires for the travelling purposes of its officers.

Hon. Mr. EULER: Do they submit vouchers?

Mr. BRYCE: Yes. The second control is that a senior officer of the department must authorize the man to travel. Normally departments allow certain of their senior officers to authorize trips. Thirdly, when a man makes a claim for his travelling expense, it is scrutinized in great detail and is subject to what we call the travelling regulations. It is scrutinized first by his own department which sees to it from its point of view that the claim is in general accord with their regulations and any specific regulations that the department itself may impose. For example, some departments may say that while the regulations do not specify how much a man may spend on meals, it is understood that unless there is some very unusual circumstance, he will not spend more than, let us say, \$5.00 a day. It depends on where the officer is going to and on the size of the town, and in what sort of group he will be associating when he gets there. We made a detailed analysis of costs of travel for meals and for

lodging and we found that they differed according to the rank of the various officers concerned, and according to the size of the centres to which they were going.

Hon. Mr. EULER: What about entertainment expenses?

Mr. BRYCE: In travel, sir?

Hon. Mr. EULER: Yes.

Mr. BRYCE: The Deputy Minister is allowed in each case to authorize what we would term "casual entertainment" that a man may do while he is travelling. He may, for example, be given a meal by somebody and he may feel under obligation to reciprocate. That is really balancing one against the other. On other occasions he may be travelling to endeavour to get some information from somebody that will be of value in his duties, and the Deputy Minister in some cases may authorize the officer to entertain somebody for dinner. That is an exception.

Hon. Mr. DUPUIS: I understand that these expenses are charged against each interested department and not against the Civil Service Department?

Mr. BRYCE: Yes, sir, against each interested department. The department must first approve the claim, and then it goes to the Treasury Office before it is paid. The Treasury Officers verify, in what many of the departments consider undesirable detail, the claims. We have a similar procedure with respect to removal expenses, and removal claims, and there are special regulations governing this. If there is some unusual element involved it has to come before the Treasury Board for approval.

Hon. Mr. EULER: My reference was not to the Civil Service Commission but to departments in general.

Hon. Mr. REID: A department would have no control, after you have passed the general estimate, as to its requirements for travelling allowances.

Mr. BRYCE: No, except through certain regulations. The reason is that requirements for travel are laid down in detail: "Must a man take this trip?". It is a matter of judgment as to whether or not it is essential to his duty.

Hon. Mr. LAMBERT: Mr. Chairman, may I ask this question which bears on that asked by Senator Euler? Does the Treasury Board deal with these vouchers after they have gone through the department?

Mr. BRYCE: Not with the vouchers. The Treasury Officers deal with them after the department has looked after them.

Hon. Mr. LAMBERT: I am referring to travelling expense vouchers. The Treasury Board, except for its Comptroller, really does not examine these items after they are executed. In other words, there is no check on the estimate for expenses by the department other than the check that the Comptroller of the Treasury might make. He then, very often reports items that he thinks are outside of the exact requirements of the department.

Mr. BRYCE: He will frequently disallow items.

Hon. Mr. LAMBERT: Yes, but one occasionally sees in the Auditor General's Report notices which indicate that expenditures are not strictly in accord with the provisions that the Auditor General would have to consider. Does the Treasury Board have anything to do in considering this?

Mr. BRYCE: If there are any unusual items that the department feels should be approved, even though they fall outside the regulations, that can only be done by the Treasury Board itself.

Hon. Mr. LAMBERT: In relation to the standard of expense which is pretty well formulized by the department beforehand—and one can testify to the application of this in so far as the delegates to the United Nations are concerned—does this rule apply to National Defence expenses in the case of military

officers and officials travelling abroad to engage in conferences such as NATO, and on the way to Korea and elsewhere? Are they under the same exactions that the other departments come under?

Mr. BRYCE: I believe there are two types of arrangements in connection with military personnel. Certain officers are granted a *per diem* expense. It is so many dollars a day for their living costs while travelling. Others in unusual circumstances are put under the ordinary civilian regulations where they have to make a claim for reimbursement.

Hon. Mr. LAMBERT: Is there much of that done?

Mr. BRYCE: I would not say there is a great deal.

Hon. Mr. LAMBERT: I think in view of the large item here under this heading, that it would be interesting to have a fairly clear crystallization of the expenses under that department. Added to that, it would be well to have the expenses in connection with the many conferences abroad involving the military. There is also this point regarding the military. I do not know whether this would be included in travelling expenses or not, but one sees a good many transport vehicles, large buses and cars, with a tag on the back of it marked "NDHQ". There is nothing in many cases other than the small, almost invisible tag on the back attached to the licence indicating that they are National Defence vehicles. Is there any check by Treasury Board on the number of vehicles used by NDHQ?

And from our notes it would appear that there would be a decrease this year. But if we look at the total of the estimates we find that instead of a decrease there is an increase of something like \$10 million in the gross amount, and that increase is entirely in the Department of National Defence. I quite appreciate that that is not included in the amount of \$14 million that we are considering now; but looking at the gross amount under this heading we find that the total for last year was \$36,383,859, whereas for the current year 1952-53 it is \$46,420,000. I think what is worrying a great many members of the House of Commons and most senators is whether that \$10 million increase is necessary. When Senator Lambert was speaking about vehicles I thought he was going to refer to the vans transporting furniture and equipment from one military district to another. You hear of personnel in the Department of Defence being transferred from the Atlantic to the Pacific or to the Prairie Provinces, and from Western to Eastern provinces. You receive a letter from someone saying: "I have been transferred from Halifax to Winnipeg, and I am carrying on the same duties here as I was before, and when I reached here I found there was already someone who could have carried on equally well. In the meantime, I am separated from my wife and family at home, and my personal expenses are just about doubled." I am wondering what proportion of the expenses for the Department of National Defence comes from items such as that. It seems to me that the increase of \$10 million in one classification requires careful looking into.

But what I really rose for, Mr. Chairman, was to deal with the whole question, not with items 1, 2 or 3, but with all the items that we have before us. As I stated the last time, I believe that unless we get a definite foundation on which to work we are not going to accomplish very much here. We shall simply go over these estimates, item by item, and ask questions, but shall not be dealing with the total expenses in a way to enable us to arrive at any worthwhile conclusion. I should like to put some questions on the record, and Mr. Bryce may be able to furnish the answers at a future meeting. He may not

have the information at his finger tips and it perhaps would not be fair to ask him to try to answer the questions here. The questions are these:

1. What are the total national expenditures for 1952-53? Perhaps he will say that we can get that information by looking at the estimates or the Budget Speech, but I should like him to give us the figure as a foundation for us to work on. And then there is this more important question:

2. What percentage of that amount is required for

- (a) Defence
- (b) Social Security
- (c) Civil Service, apart from National Defence
- (d) Interest on the public debt
- (e) Contribution to the Superannuation Fund
- (f) Subsidies to provinces
- (g) General administration and all other purposes.

In every business today, as senators all around the table know, there is a certain mean level that you expect for various items. Some firms might classify these items under, say, ten headings, whereas other firms might, for income tax purposes, add two or three more headings; but the general idea is that there is a percentage of expenditure which has to bear some reasonable relation to revenue. Now I believe that if we get the information I have asked for we shall be able to answer the question that has been before us on more than one occasion, and which I think you yourself, Mr. Chairman, have stressed, namely, whether we are spending too much money under any one of the headings I mentioned. I do not believe we shall be able to discuss the matter intelligently until we have that information.

The CHAIRMAN: If the committee will permit me, I should like to ask Mr. Bryce a few questions.

Hon. Mr. ISNOR: Mr. Chairman, let us deal with my questions first.

Hon. Mr. LAMBERT: May I ask that we consider Senator Isnor's questions first?

Mr. BRYCE: Well, sir, the total expenditures for this year, as estimated by Mr. Abbott, the Minister of Finance, are \$4,270 million, excluding the payments to be made from the old age security fund. I am sorry that I have not at my finger tips the exact amount of those payments from the old age security fund. They are made from a separate account, and I do not know if you would wish them included in the total.

Hon. Mr. ISNOR: I think so.

Mr. BRYCE: I can find the information in a moment, I think. Yes, I have it now. The expenditures from the old age security fund would add to that figure I have given \$235 million, so that the total would be \$4,505 million—about \$4½ billion.

Hon. Mr. HAIG: Does that include the money that will be paid to the provinces for the rental agreements?

Mr. BRYCE: Yes, sir, that includes Mr. Abbott's forecast of them.

Hon. Mr. GOLDING: But that would not include the supplementaries; would it?

Mr. BRYCE: I should explain, sir, that the Minister arrives at this figure after a good deal of scratching of his head, and it takes into account his forecast of what the supplementaries may be, how far one may fall short on some

of the estimates, and things like that. So it is not possible for me to break that figure down for you and account for it in detail. It is the Minister's best guess as to what the total will be, including the old age security payments.

Hon. Mr. GOLDING: And including the supplementaries?

Mr. BRYCE: Yes, including his forecast of the supplementaries. He gave also some idea of the breakdown into major details, which I can pick out for you. The amount authorized for defence out of that \$4½ billion would be about \$2·1 billion.

Hon. Mr. ISNOR: Mr. Chairman, I do not want to take up the time of the committee to have Mr. Bryce look for these various figures and place them on the record. I would prefer it if he would be good enough to make a return and give the information I asked for on a percentage basis. With that information I think we would have some foundation on which to discuss the question before us.

The CHAIRMAN: That is what I understood you wanted him to do.

Hon. Mr. HAIG: I think we should have the exact figures rather than the percentages.

Hon. Mr. LAMBERT: We can work out the percentages ourselves.

Hon. Mr. ISNOR: I quite agree with Senator Haig, that the various amounts in dollars and cents would be satisfactory.

Mr. BRYCE: Perhaps I should say, sir, that the giving of this information would involve some forecasting. Now, just how far the Minister would care to have us make a forecast at this time, I do not know.

Hon. Mr. ISNOR: I do not want you to do any forecasting; take 1952 or the 1951 figures. I want something definite.

Hon. Mr. HAIG: To get over that situation I would make the suggestion that the estimates should be put all together, and there will not be any division.

Mr. BRYCE: Yes.

Hon. Mr. HAIG: That would cover Senator Isnor. The Minister has already made the estimates.

Hon. Mr. ISNOR: That is right, but I want a basic figure on which to work.

Mr. BRYCE: I could give you the figures as we know them for the year just concluded.

Hon. Mr. ISNOR: That is close enough.

Mr. BRYCE: That is as precise a forecast as the Minister will permit me to give for the current year.

Hon. Mr. ISNOR: And follow another column with the percentage, thereby saving us the job of working it out.

Mr. BRYCE: Yes.

The CHAIRMAN: I have one or two questions that I should like to ask of Mr. Bryce. I come back to this item of \$3 million under travelling and removal expenses for agriculture.

Canada adheres to the Food and Agricultural organization, one of the subsidiaries of the United Nations. This organization holds meetings annually, and never, so far as I have been able to observe, in the same place. Three years ago I think it was at Copenhagen, two years ago in Rome and last year in Mexico. I understand this year it is to take place in the Near East. Canada sends to this Food and Agricultural Organization a number of people who might be described—though I do not like the word—as experts. They go from the Department of Agriculture and are accompanied by a number of unofficial advisers. My recollection is they numbered six, and were drawn mainly from farm organizations across Canada. My question is, are the expenses of these meetings included in the \$3 million, or do they come under External Affairs?

Mr. BRYCE: The cost of sending delegates to those international organizations which fall clearly into the domain of one department alone are under that department. Take for instance the International Labour Office. The cost of attending labour conferences, or food and agricultural conferences, those are under the specific departments which have representatives attend the conferences. Conferences of a more general character, like the United Nations, the delegates to which may come from different groups, come under External Affairs.

Hon. Mr. LAMBERT: What about NATO? Is it divided between External Affairs and military?

Mr. BRYCE: The costs, sir, of the big NATO meeting here last September were under External Affairs; the cost of the new permanent delegation to NATO is under that department; the cost of sending specific officers to the NATO meetings in Lisbon and elsewhere falls on the particular departments to whom they belong, namely External Affairs, Defence, Finance and Defence Production.

Hon. Mr. LAMBERT: I would like to ask a question with regard to the sending of our representation to NATO meetings in Paris. It is described as the new embassy—the ambassador to NATO. Does that entail the setting-up of a different establishment than the one we now have under General Vanier?

Mr. BRYCE: Yes, it is to be a separate office.

Hon. Mr. LAMBERT: In a different building and so on?

Mr. BRYCE: Yes.

Hon. Mr. LAMBERT: Are we buying that building too?

Mr. BRYCE: No.

Hon. Mr. LAMBERT: We have purchased a building in Paris for our headquarters.

Mr. BRYCE: The one that has been purchased for the chancery will, I understand, not be ready for some time, and they are proposing to rent offices for the time being.

Hon. Mr. LAMBERT: The NATO embassy will be set up in leased quarters?

Mr. BRYCE: That is the plan at the present time.

Hon. Mr. LAMBERT: What is the staff to consist of? I know Mr. Heeney and Mr. Plumtree, but how many others are going to be there.

Mr. BRYCE: My memory is that there will be all-told six or eight officers and perhaps a dozen clerks, security guards and so on.

Hon. Mr. LAMBERT: There is an estimate to cover that in External Affairs this year, is there?

Mr. BRYCE: External Affairs are scrambling to find the money to cover it. They are trying to find it.

The CHAIRMAN: One other question that I was about to ask more by way of illustration: There is at the present time, or perhaps it has been concluded now, a meeting of the International Wheat Council in London to consider the renewal of the existing International Wheat Agreement. The Canadian Government has sent three representatives from the departments here, headed by Mr. Sharpe, who was one of the deputy ministers of Trade and Commerce, and they have been accompanied by four advisers from Western Canada. Will the expenses associated with that meeting be under Trade and Commerce?

Mr. BRYCE: I think so, but I confess that the distinction between what things are solely of one department and what are general and come under External Affairs, is a point on which I like to be too dogmatic. It is External Affairs that runs this subject, and while I knew the answer at the time the estimates were coming in, it is one of those things that one does not carry around in his head.

The CHAIRMAN: Would it be the desire of the committee to take for instance this item of \$3 million for agriculture and some others—External Affairs and so forth, which run into large figures—and get an analysis of that amount?

Hon. Mr. HAIG: I should like to ask a question first, Mr. Chairman, when my turn comes.

The CHAIRMAN: On this point?

Hon. Mr. HAIG: On anything.

The CHAIRMAN: Go ahead.

Hon. Mr. HAIG: Will you tell me what came out of that recent conference on food and agriculture?

Mr. BRYCE: I would have to find that out.

Hon. Mr. HAIG: It won't take you more than three months to find out, will it?

Mr. BRYCE: I am sure there will be a report on it. These conferences are highly documented.

Hon. Mr. HAIG: Can you tell me any result that has come out of any of these conferences up to the present time?

Hon. Mr. BURCHILL: That is not a fair question.

Mr. BRYCE: I think it will be better to ask the department responsible.

Hon. Mr. HAIG: But I don't know who sends these delegates.

Mr. BRYCE: I think it is fair to say that these specialized conferences are producing a great deal of discussion between countries on things like agriculture production, forestry problems and so forth. How valuable those things are is exceedingly difficult to say.

Hon. Mr. HAIG: I am voicing a sentiment that I know exists in my part of the country. We send a lot of people to conferences and they talk very learnedly—and Lord Boyd-Orr and some others tell us that one part of the world must produce enough surplus food to feed the other parts of the world—but I never see any thing of real value coming out of conferences. The people in my part of the country would like to know what actually comes from these things. We are spending a lot of money on travel, and what are we gaining by it?

Mr. BRYCE: There is a good deal of that type of travel these days, but I do not know that the bulk runs into many millions. Certainly there are a good number of people going to conferences of one kind and another. If I may suggest, I think that is a proper question to put to, say, the Deputy Minister of Agriculture or the Deputy Minister of National Health, both of whom have a good many men going to conferences.

Hon. Mr. HAIG: But for the most part they swing back to External Affairs. Probably we could have the External Affairs representative tell us what conferences are held, who held them and under what department.

Mr. BRYCE: They could give a list of the international conferences.

Hon. Mr. LAMBERT: Those are in the External Affairs report. I want to know what results have been accomplished by these meetings. That is what I want.

Hon. Mr. EULER: I am thinking now of the conference that was held—I suppose it relates to Trade and Commerce—in the first instance, I believe, at Geneva, where the nations worked on the basis that they were going to try to remove obstacles to trade between the various countries. They reached various conclusions and continued the conference, I believe, at Havana. Another meeting was held, more recently, at Torquay, in England.

Hon. Mr. LAMBERT: That is under External Affairs.

Hon. Mr. EULER: But the conclusions they reached were not acted upon by some of the member countries. For instance, the United States were not supposed to exclude certain of our products, for example cheese, but the United States simply nullified that conclusion. What are we getting out of these conferences? They arrive at certain conclusions, and the nations, unless it is in their own interests, do not observe them.

Hon. Mr. ROSS: These conferences have been very helpful. They have done a great deal to remove trade barriers.

Hon. Mr. EULER: I wonder.

Hon. Mr. GOLDING: Have the United States an embargo against our cheese?

Hon. Mr. HAIG: It is not only trade conferences which should be looked into. Something may be accomplished by trade meetings; I cannot say. But take things like these food conferences, headed by men like Lord Boyd-Orr. What he has done to the world is a terror. He has got the western world into an International Wheat Agreement, whereby we have been badly skinned, or, I may say, eaten alive. During the last four years the western farmers have been losing 65 to 70 million dollars a year by reason of that agreement.

I would ask Mr. Chairman to invite the Deputy Minister of External Affairs to come here with that information, and we will also get the Deputies of the different departments which are affected.

Hon. Mr. GOLDING: That is right.

Hon. Mr. HAIG: I think that is a place where we can save a very great deal of money.

The CHAIRMAN: Just a moment. On this suggestion of Senator Haig: if it is agreeable to the committee I shall write a letter to the Department of External Affairs asking them to give us a list of all the international organizations.

Hon. Mr. HAIG: Except United Nations. I do not object to that.

The CHAIRMAN: Outside of the United Nations.

Hon. Mr. HAIG: And including the subcommittees. I want them. I do not want the United Nations.

The CHAIRMAN: It might be worthwhile finding out what the Assembly is costing us.

Hon. Mr. HAIG: I do not want to make a check on them.

The CHAIRMAN: Taking this Food and Agriculture Organization, for the life of me I cannot see why they cannot have their annual meetings at the head office of the organization. There may be some reason; but they have been going to Rome, to Copenhagen, to Mexico—all of which is bound to increase expenses very considerably.

Hon. Mr. REID: One delegate did say it was just a joy trip. He said so openly in the meeting.

The CHAIRMAN: I am not suggesting that, but the only way we can get at that is to take one or two or three of these departments and inquire as to these expenses. We could inquire of the Department of External Affairs, and ask them to give us an analysis of how they propose to spend \$3,000,000 this year on travelling expenses and allowances. Mr. Bryce cannot give us that information. Or can you pick that out of your records?

Mr. BRYCE: Well, we would know under what vote it was to be found, and we would have some explanation given us in support of the estimates; but I think you would get better evidence on this from the Deputy Ministers concerned. I believe they are in a better position to speak to it.

The CHAIRMAN: Obviously we can go over all these items in this way and flail around in the dark and not get very far. But if we take concrete cases we will get an opportunity to find out what lies behind this. So, if it is agreeable to the committee, I shall write to the Deputy Minister of Agriculture and point out this expense, say that the committee would like to have an analysis of how they propose to spend this money, and then have him come over here and explain it to the committee.

Hon. Mr. HAIG: Agreed.

The CHAIRMAN: Would that be satisfactory to the committee?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Shall we take any other departments in the same way under this item?

Hon. Mr. HAIG: This is a thing which, I think, should be cut down.

Hon. Mr. LAMBERT: Are you just singling out Agriculture? I think, if you are going to sink test wells in all these statements, you should take Defence, External Affairs and Agriculture, and probably Social Services too.

Hon. Mr. REID: May I ask Mr. Bryce one question regarding delegates to FAO? If my information is correct, FAO is an organization set up by the United Nations, and Canada has representatives on that organization. As such, are they not paid from the general funds of the United Nations Organization? And, are any delegates other than these sent by Canada to FAO meetings?

Mr. BRYCE: Well, my understanding is that FAO is a specialized agency—that is what they call it, I think—of the United Nations and has a formal relationship to the United Nations, but it has its own separate staff, its own separate budget, and holds its own separate meetings; so that, as far as our contributions are concerned, they are paid separately and directly to FAO. Secondly, the delegations that we send are sent to the FAO meetings. If there are any Canadians on the staff they are employees of FAO.

Hon. Mr. REID: I could not understand, why, if a committee is set up comprising the various countries under FAO, we should have to send delegates to the FAO conferences wherever they are held, all over the world. That must be a very costly business.

Hon. Mr. LAMBERT: Did you ever hear of UNESCO?

Hon. Mr. REID: Yes.

Hon. Mr. LAMBERT: It is the same thing there.

Hon. Mr. REID: That is just a waste of funds, as I have pointed out in a speech.

Hon. Mr. HAIG: If a letter from the Chairman will bring us this information, we can go into each department separately. There is just one other thing. I agree generally with what Senator Isnor said, but I want to raise one little objection. In travelling on trains between here and the city of Winnipeg, I see hundreds of Army personnel travelling from one place to another, and I just wonder whether it is necessary to move such large bodies of men. Very few of them are officers. I do not have any objection to a case like this; an officer, perhaps a major, who has been at one headquarters, perhaps in Montreal or Quebec or Halifax or some place in Ontario, for three or four years, may be moved out to some other district, say Winnipeg or Vancouver, to give him experience in various parts of the country. I agree entirely with that kind of thing, but I would like someone, when an answer is given to Senator Isnor's question, to tell us why we need to move around these large bodies of men. The other day, coming down on the train, I saw at least forty Army personnel, none of them officers. I asked them where they were going, and it seems that

they were being transferred from Camp So-and-So in Manitoba to Camp So-and-So some place else. One could hardly get on the train or move around in it because of the number of Army personnel.

Hon. Mr. REID: It is all very well to bring up these things, but in my opinion the Army, the Navy and the Air Force are a law to themselves. I think the other day they defied the House of Commons by not producing certain papers. I should like to have the information but I doubt if we can get it, not from National Defence.

Hon. Mr. BURCHILL: As a member of the Steering Committee of the Finance Committee I feel rather disturbed this morning. My good friend here on my right (Hon. Mr. Haig) has cautioned us at every meeting of the Steering Committee by saying that the Finance Committee of the Senate, above all, is not to be a fishing expedition, and that we are to steer our course a little higher. Now, I ask you, Mr. Chairman, if this morning's meeting has not developed into the best fishing expedition that we have ever had? My honourable colleague has been one of the leaders so far in this. The discussion has been most interesting and we have all enjoyed it, but if we are going to continue in this way we have got to reorientate our whole course in the work of this committee because so far we have only got down to item 5. If the remaining items take up the same amount of time that these five items have taken up, and if they embroil other matters as much as these have, then our main objective is to be absolutely lost. We are not going to get anywhere. I marvel at the knowledge that Mr. Bryce has been able to supply us with so far, but after all he is only concerned with one phase of the nation's activities. I think all or most of the questions we have had this morning should be directed to the various departments concerned, whose officers have a much closer knowledge of these matters than Mr. Bryce. I just want to know if what we are doing this morning is what the Steering Committee wants us to do. If so, then we have to re-arrange our whole schedule because, Mr. Chairman, you intimated that this was the last morning we were to have Mr. Bryce.

Hon. Mr. HAIG: No.

Hon. Mr. BURCHILL: Mr. Chairman, you intimated at the meeting of the Steering Committee that you wished to get through with Mr. Bryce today.

Hon. Mr. LAMBERT: That is right.

Hon. Mr. ASELTINE: He was being optimistic.

The CHAIRMAN: What I was concerned about was that quite obviously if we get into too much detail we are never going to finish this inquiry along the lines laid down. We can go over all these items—their main value being their comparative basis—and get information from Mr. Bryce upon them, but it would be much better if we could take one or two or three illustrations and look into them if we are going to proceed in this way.

Hon. Mr. EULER: Well, that is fishing, isn't it? That is a fishing expedition.

The CHAIRMAN: Yes.

Hon. Mr. LAMBERT: If I may say so, I would rather apply another term—"a prospecting expedition". This is based on the idea of sinking test holes here and there to see whether an oil well is running and so find out if you have a continuous load or a geological strata that produces something. Senator Burchill is quite right in what he said about the Steering Committee's general objective. He might have added that the real general objective of the Steering Committee is for the Finance Committee to find out what the effect of government spending is on taxation, and not on inflation because inflation is not the problem this year that it was last year. Now, then, if the effect of taxation is to be dealt with, I submit that in the interest of reaching that point of view we must have test holes made here and there to give us the evidence on which to base our final

report. It seems to me that when you come to consider the effect of government spending on taxation, you must try and take the outstanding items such as National Defence, External Affairs, Agriculture, and Health and Welfare. If test holes can be sunk in those departments you will have some sort of specimen evidence on which to base your appreciation of taxation. It is purely with that idea in mind that I would qualify what Senator Burchill has said.

The CHAIRMAN: Would it meet the wishes of the committee if the question which Senator Euler has crystallized very clearly in his remarks were taken into consideration by the Steering Committee?

Some Hon. SENATORS: Yes.

The CHAIRMAN: The Steering Committee could come back here with a recommendation, and if we do this we can proceed as we were with these items. Is that satisfactory?

Hon. Mr. HAIG: There is one point about this whole matter. Take any other item such as "Freight and Expenses". We cannot tell anything about them, whether they are high or low. The only way we can tell is by dealing with the specific item. I do not think it is a fishing expedition or a prospecting expedition or anything else. I do not think the government or any minister is too hot over all these meetings. I think if we can show that there have been large sums of money spent on meetings, and they can be just as well done away with, I believe we could make a real contribution to cutting down expenses. We could talk about films or buildings and office expenses, but I for one am not talking about them. Like the honourable senator from Halifax, I just want to get the overall expenses and inquire into matters where there is some possibility of the thing not being governmental policy but something that has just grown up. If we are going to take as narrow a view as Senator Burchill, well, my services on the committee are finished. I can make no contribution at all unless you allow me to investigate things, and find out if they have anything to do with government policy and whether they can be curbed. I do not think Senator Isnor is trying to make an attack on government policy.

Hon. Mr. BURCHILL: I think Senator Haig has misunderstood what I have said. I am talking about the objective of the committee, the one we started out on. I am pointing out that we are getting off that main target this morning.

The CHAIRMAN: We shall take this under consideration at the next meeting of the Steering Committee. The business of the Steering Committee is to try and keep this inquiry on the rails. Having said that, let us go on to the next one, item 6, "Freight, Express and Cartage". In 1949-50 the amount was \$2,097,000, and in 1952-53 it is \$2,598,000, which is roughly a difference of \$500,000 in four years. What have you to say about that, Mr. Bryce?

Mr. BRYCE: Well, sir, that particular increase over the four-year period reflects to a considerable degree the increase in the level of cost of carrying on deliveries. The activities covered here are such things as delivery of mail between post offices and various other offices, the movement of equipment and supplies from our various depots of one kind and another to the places where they are to be used, and so on. It does not include the cost of delivery of something that the government purchases to the original purchaser.

Hon. Mr. ISNOR: What do you mean by that?

Mr. BRYCE: Well, we have an item here for materials and supplies purchased. The amounts given are supposed to be the costs of the materials and supplies delivered to our warehouses or offices or wherever we receive them. The items under the heading of freight, express and cartage are amounts that we pay for moving things that we already own, and for moving mail and so on.

Hon. Mr. ISNOR: In other words, if you purchase something at a certain price and it is delivered 150 miles, say, by truck, you do not include the cost of the trucking under that heading of freight, express and cartage.

Mr. BRYCE: If we purchase something to be delivered by common carrier we ask the department concerned, when putting in the item for materials and supplies, to include the cost of delivery by freight or express, whatever it may be. These amounts for freight, express and cartage are expenditures on things which we already own and have to move somewhere. It also includes the movement of mail, as I have already mentioned. For instance, our own department, the Department of Finance, hires a trucking service to pick up our mail at the post office every morning and deliver it to us. The cost of that trucking would be in this item.

Hon. Mr. ISNOR: Item 5 is travelling and removal expenses, and item 6 is freight, express and cartage. Now, I understand that the practice of including in the purchase price of material the cost of cartage, as you say you do, is contrary to the best business practice. I do not see why you should have a separate heading for freight, express and cartage if you couple the cost of cartage with the cost of the goods purchased. I do not think the income tax people would approve of your system at all.

Mr. BRYCE: Well, sir, I agree that whether the cost of freight on goods that we purchase should be shown under the heading of freight or under the heading of the purchased goods is a matter that is open to argument. We found there were unexplained changes between the costs of particular goods, depending upon whether we were purchasing them freight included or freight excluded; so in order to keep the figures comparable from year to year we decided that, regardless of whether a particular item is purchased f.o.b. or c.i.f., we would put all the freight on our initial deliveries into the cost of materials and supplies. It is true that we could take the freight, express and cartage charges out and put them into this item, but that would involve much additional accounting. A good deal of our material is purchased on a delivered basis, and if we adopted that practice we would have to go back to the bill in each case and try to ascertain the freight element.

Hon. Mr. ISNOR: I do not want to labour the point, but I think it is poor practice. I remember the income tax people saying in a certain instance that the express, truckage, freight and so on amounted to $\frac{3}{4}$ of 1 per cent of the gross income. That percentage has gradually risen from $\frac{3}{4}$ of 1 per cent to, say, $1\frac{1}{2}$ per cent, depending on the type of business. The point I am making is that nobody could come along here and say that you are out of line in your removal or cartage charges, that they are too high, because a large percentage of these charges is hidden in the item of materials and supplies purchased. Is that not so?

Mr. BRYCE: That is so, sir, I quite agree. In the item of material purchased there would be quite an element for the cost of delivering the purchases.

Hon. Mr. HAIG: I notice that back in 1939 the amount under this heading was less than \$500,000, whereas the estimate for this year is a little more than \$2 $\frac{1}{2}$ million. The business of the country has not increased in that proportion, has it?

Mr. BRYCE: Of course, sir, I do not have to tell this committee that freight rates and express rates have gone up somewhat.

Hon. Mr. HAIG: They have gone up only 70 per cent.

Mr. BRYCE: That has been one element in the increase. Then, of course, the government organization is very much larger than it was and very much more spread out. We have, for instance, meteorological stations spread out over the north country, and a much larger surveys program. These things

involve freighting and expressing out of supplies over long distances. The expansion of the government organization over the whole country gives rise to much of this increase.

The CHAIRMAN: While that is a substantial increase, I do not think after all that it calls for any particular comment. It seems to me that the explanation given by Mr. Bryce pretty well explains the increase.

Hon. Mr. REID: The increase of \$7 million, as shown at the bottom of column 6 on the big sheet, on the Summary Standard Objects of Expenditure and Special Categories, would pay for the shipment of a very large quantity of goods across the country?

Mr. BRYCE: Yes, sir.

Hon. Mr. REID: The cars and trucks move under defence regulations, and so do the planes. This increase of \$7 million is a very large increase in the cost of moving materials.

Mr. BRYCE: The Department of National Defence has huge depots at which they keep their various supplies and equipment, and when any of these things are shipped from the depots to the units the department has to pay the freight and express.

Hon. Mr. ISNOR: It is a question of policy, I suppose, but if the industry was spread out more, particularly in the Maritime provinces, there would be a big saving on the distribution charges.

The CHAIRMAN: Shall we go on to the next item, No. 7, postage?

Hon. Mr. REID: On looking at this big sheet, the Summary of Standard Objects, you see that there is no item of expenditure under postage for five departments or branches, including the Post Office Department itself. Surely these departments are using the mails. The Post Office Department, for instance, has a good deal of correspondence by mail. Under what item of expense is the cost of postage hidden?

Mr. BRYCE: There are one or two points that I should perhaps make in answer to your question, sir. The first is a purely technical one, that in order to present the picture of the Film Board and C.B.C. expenditures we have classified those, whatever their nature, under "Films, Displays, Advertising and other informational publicity". That is the reason why postage is not shown in these cases, for otherwise there would be double counting. The second reason, sir, is that the government decided a year or so ago that it would not require departments at this time, in any event, to pay postage on ordinary mail. I believe this committee expressed a view on that at some stage, and I think the Minister of Finance expressed a view several years ago in the budget. We have had under consideration the question whether the franking privilege for departments should not be removed. But the government considered the matter and decided it should not remove the franking privilege for departments at this time. The expenses shown here for postage is for postage from places outside of Ottawa where the franking privilege does not extend, and for postage of a special character such as airmail, special delivery, registered mail and things of that sort. As you will note, by far the biggest item is for such departments as Finance and National Revenue. Finance has to mail out all the family allowance cheques, and they are mailed from outside Ottawa. Consequently, they must pay postage. National Revenue mails out their various Income Tax and related notices from their offices outside Ottawa. I think every department has got, except Post Office itself, and that department must charge itself no postage of any kind.

Hon. Mr. REID: It must cost a lot for that postage, and we don't know about it.

Mr. BRYCE: It never occurred to me before, but the Post Office never uses those services which they advertise.

Hon. Mr. BOUFFARD: You have also got other Crown companies; and the National Harbours Board must use postage outside Ottawa.

Mr. BRYCE: The Harbours Board figures in the estimates are not operating costs of the Harbours Board. It meets its operating cost out of its operating revenue; you will note that the only items here for the Harbours Board are under construction and perhaps some for equipment—they are capital items, and postage would be an operating cost.

Hon. Mr. BOUFFARD: What about the National Film Board?

Mr. BRYCE: The reason for the National Film Board showing nothing was, I think, explained last year. In the case of the C.B.C. and National Film Board there was a question of whether they should have been shown under films, displays and broadcast heading entirely or under these various other headings such as salaries and so on. The Treasury Board reached the decision that it will be better to show them under Films, Displays and Advertising, so that there was no question of trying to conceal in any way the size of the expenditures there. Secondly, in the case of the Film Board at least, the accounting system is set up on a cost accounting basis to charge out the costs to the various departments who are having films made, or to their own accounts for producing films.

Hon. Mr. BOUFFARD: Including Post Office?

Mr. BRYCE: Yes, sir. And if they were going to follow the accounting system that was presented here, it was to cost another \$10,000 or \$15,000 to do so. The Treasury Board decided that it was not worth the extra cost to require them to account in this way.

The CHAIRMAN: On this point the committee will recall that two years ago we made a recommendation that all departments should budget for postage and pay the ordinary postage on the communications and literature that they send out. That has not been adopted. Personally, I think that would be one of the finest reforms we could bring about; for one thing, it would stop the tremendous raft of stuff that comes into every member's office from day to day and finds its way directly to the wastepaper basket. If the departments had to budget for postage, it would I think do away largely with all the advertising that goes on to an astonishing degree. Illustration after illustration could be given of that situation. There has been developed in practically all the departments publicity bureaux whose main function is to acquaint the public with the glories of that particular department. Frankly, I think a lot of it is wholly unnecessary, and one effective way to put a check on it would be to say to them that if they are going to send out all this stuff they have to pay postage on it and budget for that postage.

Hon. Mr. HAWKINS: Is this matter wholly relevant to our discussion? We have got only down to No. 7, and we have not completed that. I think if we are going to go through all these items we should go on and do it, and leave out the sideplay.

Hon. Mr. LAMBERT: Telephone is next.

The CHAIRMAN: You are interested in the next item, Telephone?

Hon. Mr. HAWKINS: I don't know what we are doing.

Hon. Mr. HAIG: We have now passed Postage.

The CHAIRMAN: Then we will go to No. 8. "Telephones, Telegrams and Other Communication Services", which has shown an increase of over \$600,000 in the last year.

Hon. Mr. HAIG: I guess the increase is largely due to the fact that the telephone rates have gone up?

Mr. BRYCE: That is the principal answer.

Hon. Mr. BURCHILL: And they are going up more too.

The CHAIRMAN: Fourteen years ago we spent \$689,000, and in 1952-53, we are budgeting for \$5 million more.

Hon. Mr. REID: There again, the Defence Department amounts to the total of all other departments of the government. But I know that no one can stop the military—they are a law unto themselves.

The CHAIRMAN: What would you have to say about that item, Mr. Bryce?

Mr. BRYCE: With regard to Defence or otherwise?

The CHAIRMAN: No, this is civilian.

Mr. BRYCE: On the civilian side.

The CHAIRMAN: This is wholly civilian we are considering; we are not considering Defence at the moment.

Mr. BRYCE: This item is one where we furnish the department in Ottawa; the Department of Finance meet all telephone costs in Ottawa, and that is why Finance is so large here. We provide the main telephone switchboard, as you know.

The CHAIRMAN: I was looking at the total of civilian by standard objects of expenditure and special categories, where we have an item for Telephone, Telegraph and Other Communication Services of \$5,638,000, which is up more than \$600,000 from last year.

Hon. Mr. REID: The one department which accounts for half of it is the Transport Department; it covers easily half if not more than all the other departments put together. That seems to be an extraordinary expense.

Mr. BRYCE: On that item there is a fairly straightforward explanation, namely, that Meteorological and Civil Aviation have tremendous land lines and teletype lines for reporting in all the meteorological data and taking out the data; indeed, they are now expanding that, and they are proposing to use facsimile transmission of weather maps so that the maps can be produced in a central place and sent out by facsimile transmission to the various offices. That change will increase the expenditure under Telephone and Telegraph, but it will reduce the cost of pay for meteorologists, because they will not need as large a staff to do the work. I give that by way of an illustration to show that there are heavy expenditures here as we build up the technical requirements.

In the field of Civil Aviation, they have the control of movements of airplanes, and so on, for civilian purposes, apart from the military; they have whole networks of teletype equipment. That is the reason why this item is so high in proportion to the total. As to the use of Telephone and Telegraphs, that comes directly under my own control in the Department of Finance, as far as Ottawa is concerned, and we have a staff which investigates the requirements for telephones. While our telephone bills have gone up, it is our opinion that it has increased quite materially the efficiency and speeded up the doing of business in the government, by providing telephone service to the various government offices.

The CHAIRMAN: That seems reasonable, but under Finance you have an item of almost \$800,000 of the \$5 million odd.

Mr. BRYCE: That covers the cost of the telephone system here for all departments, Parliament and everybody. We maintain a big switchboard in the Bell Telephone Company and pay all the phone bills. We do not pay long distance tolls; these charges are billed through the departments. We operate, for example, private lines to Toronto and Montreal, and I have right on my desk at the moment the question of whether we should continue to bill the departments for those or not. I can save some staff if we pay the cost of those private lines to Toronto and Montreal, but the departments do not have to meet the bills. That is exactly the sort of question you run into: Is it better to distribute these costs for calling Montreal and Toronto, or is it better to save on staff by not doing so?

Hon. Mr. HAIG: We will leave that to you.

Hon. Mr. REID: I am not envious at all, but in the days when I was a member of parliament in the other place, we could never get two telephones in an office, one for each member; but now, when I go into offices one finds two telephones almost without exception. As I say, I am not envious but I am curious to know how the rule was lifted, and by whom. They are sitting de luxe now, with a telephone to every desk, in the same office.

Mr. BRYCE: The Treasury Board agreed to provide individual telephones. It is part of the trend of the age. People expect now to be equipped with phones.

The CHAIRMAN: Anything further on that? We come now to item No. 9, which is a fruitful one: "Publication of Department Reports and Other Material", which is \$4,368,000 this year.

Hon. Mr. HAIG: There, again, with all due respect to Senator Burchill, I think we should have somebody tell us about these reports and publications that are got out.

Hon. Mr. REID: I do not want to be over-critical, but we have reached the time when there should be some check on the number and variety of the publications that are issued. I suggest and propose to the Chairman that, if we have a room large enough, there be produced in that room a copy of every document which was put out last year. Because, once you see them before you and look over them, the committee and the government and the country will get a real idea of the extent of this material. I am not picking out any specific department but the volume is increasing year by year, and departments are beginning to compete with one another in this matter. You will find that one department sends out the same information that some other department is sending out. I wonder what good it all is. I would like to see all these documents assembled and put on view.

Hon. Mr. HAIG: If the honourable gentleman will come into my office any day around half-past nine, when I am throwing them in the waste-paper basket, he can have them all.

Hon. Mr. REID: Let us have, by departments, one copy of each publication, and then let the committee look at them, and you will realize the truth of my criticism. I do not believe the government has control of this matter; and I want to help the government. A department will bring forth its estimates and put up a story to the Treasury Board that they need these publications. But are they all necessary? There are libraries and publication departments by the score in this city. I think it is time that a stop was put to it. I am going to move that we see the documents, and I would like to have them produced by departments.

Hon. Mr. HAIG: I think we would save time if we asked somebody to come and tell us about this. Maybe, when we hear the story of New Westminster, we may not want a whole room filled up with publications.

Hon. Mr. KING: Is it not within the option of the individual member to write to a department and say he does not require its publications?

Hon. Mr. REID: But it is also our duty to know how the business of the country is being run, and I, as a member of the Senate, want to see what the departments are doing. To cut out the delivery of a publication to one person would not save any money.

Hon. Mr. FOGO: There is some distinction to be made between reports required by statute, by legislation, and so-called publicity material which is the product of public relations departments. I suggest that a distinction has to be made there. I would like to ask Mr. Bryce if the quality of the printing and the publications, the type of paper, and the like, come under review at any point? Or is that purely a matter of departmental discussion?

Mr. BRYCE: No, sir. It does come under review, and I think it is fair to say that probably as a result of the discussions in this committee in recent years, the Treasury Board has asked that in this past year a much more intensive review be made of the publications field. That is one reason that the figures here are down, notwithstanding that the costs of printing are up very significantly. So that there are less publications provided for here than there were a year or two ago.

Hon. Mr. FOGO: At one stage there was apparently competition between departments as to which could produce the most elegant booklet and the finest photographs on the heaviest paper, and the like.

Mr. BRYCE: I think, if you would compare some of the reports that are coming out this year with those that came out last year, you will see that not only is the competition in format and such being restrained, but indeed the size of the publications in many cases is now substantially reduced.

Hon. Mr. HAIG: Does that apply to the journal called "Trade"?

Mr. BRYCE: I am sorry. I could not tell you whether "External Trade"—

Hon. Mr. HAIG: It does not, because they are using the finest paper that could be used.

Hon. Mr. FOGO: Has what you say had an effect on the cost, to your knowledge?

Mr. BRYCE: Oh, yes. We are saving very definitely on the technical side of printing. I think the Queen's Printer has done a good deal of work in reducing by various technical means the cost of printing. I think it is well known that the cost of printing the census material has now been substantially reduced by use of offset methods and things of that sort. So I think it is fair to say that in recent years there has been considerable progress, both on the technical side, in respect of the printing, and on the side of screening down the number and size of publications. I would not contend that from the Department of Finance point of view we are finished—we are not—but I think at least this is a field in which we can report progress; and I think, if the materials to which Hon. Mr. Reid has referred were assembled, as suggested, and compared, the progress would be visible.

Hon. Mr. LAMBERT: Under Item 9 I notice the National Defence Department's item of \$2,485,000—approximately \$2,486,000—is in addition to the \$4,368,000 which we are still dealing with under that item. What is represented mainly in that Defence appropriation?

Mr. BRYCE: They have a tremendous publication of training manuals and things of that sort.

Hon. Mr. LAMBERT: That would be the chief item?

Mr. BRYCE: Yes.

Hon. Mr. VIEN: Can we have a list of publications that have been dispensed with in the last five years, let us say since the 1st of January 1947, and a list of the new publications which have crept in since? Could we have that information in respect of all departments?

Mr. BRYCE: Yes. We can prepare a list. But I would like to ask, do you have in mind here periodic things only?

Hon. Mr. VIEN: All kinds of publications issued by any department of the government. What are the publications that were issued by any department of the government that have been dispensed with since, let us say, 1947, or 1945 if you wish, and what are the publications which are now published and were not published on the 1st of April, 1945?

The CHAIRMAN: Do you have in mind the non-statutory publications?

Hon. Mr. VIEN: Yes, non-statutory publications.

Hon. Mr. HAIG: I think Senator Fogo raised the question when he mentioned those things which the government has to print by law.

Hon. Mr. VIEN: I agree with Senator Fogo that there is nothing we can do about statutory publications.

Hon. Mr. DUPUIS: With reference to statutory publications, the number of issues could be diminished. They are sent out by millions all over the country, and they are thrown into waste-paper baskets. That proves very expensive.

Hon. Mr. HAIG: Could Mr. Bryce make a separate list?

Mr. BRYCE: Of the numbers?

Hon. Mr. HAIG: Of the statutory publications that are printed.

Mr. BRYCE: To be clear on one aspect of Senator Vien's question, my difficulty relates to those things which are published only once. I have in mind such publications as the Greber Report. Do you regard that as one you want to include?

Hon. Mr. VIEN: I would leave out all statutory publications, and then all other publications issued by a department, whether there would be one issue or whether it be a weekly or monthly issue, I should like to have a list of such publications printed since April 1, 1950.

Mr. BRYCE: So that will be the last two years and the current year?

Hon. Mr. VIEN: Yes.

Hon. Mr. ASELTINE: Could you include the number of copies printed in both English and in French for distribution?

Mr. BRYCE: I think so. It may take a few weeks to get this material brought in together.

Hon. Mr. HAIG: That is all right. Could you give us the statutory ones separately as to numbers?

Mr. BRYCE: Yes.

The CHAIRMAN: Do you have in mind, Senator Vien, including in your request things like the Massey Report?

Hon. Mr. VIEN: Yes

Hon. Mr. ISNOR: Unless that is shown separately it is going to be very misleading to the public. The public will see this huge amount for publications and, without taking into consideration a very important report such as the Massey Report, get a wrong impression.

Hon. Mr. VIEN: Let us suggest a separate classification for Royal Commissions' reports.

Mr. BRYCE: We shall do that, sir.

The CHAIRMAN: Very good. Is there anything further on that?

Hon. Mr. HAIG: No.

The CHAIRMAN: Next is item 10: "Films, Displays, Advertising and Other Informational Publicity". The total is \$7,347,000, which is up a little bit from last year, perhaps \$200,000.

Hon. Mr. HAIG: My information is that they are doing a better job than they did before.

Hon. Mr. LAMBERT: First of all, what revenue comes in from that department to offset the expenses?

Mr. BRYCE: The Film Board revenue?

Hon. Mr. LAMBERT: Yes.

Mr. BRYCE: There is quite a considerable revenue coming from the picture "The Royal Journey" and I am not sure that it is fully reflected here. That picture has brought us in a great deal more revenue than the cost of its

production. On page 316 of the Estimates Volume you will see some figures—I must confess I find them rather difficult to understand—for the revenue this fiscal year, 1951-1952. They have a net total of \$25,000, which consists of a gross figure of \$100,000 with \$75,000 being deducted from it. I think most of this \$75,000 is to meet certain expenses in connection with prints.

Hon. Mr. LAMBERT: That is the cost of producing the films?

Mr. BRYCE: Not so much the original productions, but the additional prints. For instance, they have had to make hundreds and hundreds of extra prints of the Royal Journey film. I may say that by and large Mr. Irwin is taking considerable steps to improve the revenue of the National Film Board from its various operations.

Hon. Mr. BARBOUR: I think this is the first item that is less than last year. It is about \$72,000 or \$73,000 less than last year.

Hon. Mr. HAIG: No, it is up over last year.

Hon. Mr. BARBOUR: I mean the total of all the items under 10.

Hon. Mr. HAIG: Item No. 10 outside of defence is up.

Mr. BRYCE: Defence is down.

Hon. Mr. LAMBERT: Mr. Chairman, in connection with films I think a good deal of service is given to the External Affairs Department by the Film Board in connection with activities abroad, and possibly at home as well. Would the expense for that be borne by the External Affairs Department or would it come under the Film Board?

Mr. BRYCE: No, Senator, the expense for the distribution of the Film Board's own films abroad is borne in their budget and appears on page 316 of the Estimates Volume. For example, the cost of international distribution of their films for the coming year is \$177,000.

Hon. Mr. LAMBERT: That is borne by the Film Board, is it?

Mr. BRYCE: Yes. There is a program in the Film Board known as their international program that is costing \$300,000.

Hon. Mr. LAMBERT: That is what I was getting at. I think that the Film Board is doing a service for other departments, the expense of which cannot fairly be charged to them. If there is any onus at all in connection with those figures, they should be traced to the departments which are responsible for ordering the films.

Hon. Mr. DUPUIS: Yes. With respect to Senator Lambert's question, I should like to know what the National Film Board is doing for the Department of Citizenship and Immigration. Is it charged to that department or not?

Hon. Mr. LAMBERT: The relationship would be the same as to External Affairs.

Hon. Mr. FOGO: Would not the answer be that the department is charged and the Film Board is paid for services rendered?

Mr. BRYCE: If a department orders a film and it is being produced for that department primarily, that department will pay for it and it comes under their budget.

Hon. Mr. FOGO: Would it be correct to say that part of the items under No. 10, in so far as they relate to the Film Board, would be recoverable by the Film Board?

Mr. BRYCE: No sir, the ones that other departments pay for come under their budgets and not under the budget of the Film Board.

Hon. Mr. REID: Item 10 does not give us the true picture.

Mr. BRYCE: We are trying to give it because if, for example, Citizenship is paying for a film, it is under their budget and it is not under the Film Board budget.

Hon. Mr. REID: No, but in looking at this one would think that the Film Board had expended that amount of money shown in item 10 for films, but you have to go to the budget to find out the amount being charged to the other departments.

Mr. BRYCE: What appears here is just what the Film Board pays out of their own appropriations. They are able to spend other money allotted to other departments to make films.

Hon. Mr. REID: Could we get a picture of what the other departments are spending on films?

Mr. BRYCE: We would have to provide a summary of what the other departments are spending on films.

Hon. Mr. REID: I think it would be interesting to know that.

Hon. Mr. LAMBERT: The point that you made about the international film program is interesting. Would the cost of that come entirely under the estimates of the Film Board or under the External Affairs Department estimates? There is some overlapping there, is there not?

Mr. BRYCE: Speaking from memory, sir, I believe that the Department of External Affairs does not itself produce films for distribution abroad, nor does it pay for the costs of distributing Canadian films abroad. The Film Board has now undertaken this program that is described in its budget as its international program.

Hon. Mr. LAMBERT: It is a service of the External Affairs Department?

Mr. BRYCE: Well, it is for broad international purposes, let us put it that way.

Hon. Mr. LAMBERT: It is a channel that the department uses?

Mr. BRYCE: Yes. It is in the same sort of category as the international service of the Canadian Broadcasting Corporation, which is borne on the corporation's budget.

Hon. Mr. REID: Who are the executives of the Film Board?

Mr. BRYCE: I take it that you are referring to their classification, sir. They are the Film Commissioner, the Secretary of the Board, and so on. I am not sure just which ones are included in the classification, but they would be the central senior officers.

Hon. Mr. REID: Is the Film Board the only government organization which shows in the estimates its revenue as well as its expenditures?

Mr. BRYCE: We are trying to do that in all cases, as the result of a recommendation from this committee and another committee.

Hon. Mr. BOUFFARD: Do you show that for the C.B.C. too?

Mr. BRYCE: Yes.

The CHAIRMAN: I notice an estimate of \$332,500 for films, displays, advertising and other informational publicity for the Department of Labour. That is an increase of some \$80,000 over last year. The *Labour Gazette* would not be included in that. Can you give us any light on this estimate?

Mr. BRYCE: I would not claim to be able to give a complete explanation of that, sir, but perhaps I could give an illustration. The Department of Labour is partially engaged in the promotion of certain activities. For instance, you may have noted that under the Fair Wages Conciliation and Industrial Relations Fund they have \$36,000 for films, posters and publicity. My recollection is that that includes the cost of films to help promote labour management committees. When a department gets into promotional activities it incurs expenses of this type.

The CHAIRMAN: Every week or so there is a display of films in the Commons Railway Committee Room. The other day I noticed one put out by the Department of Labour.

An Hon. SENATOR: Members of parliament need entertainment.

Hon. Mr. ISNOR: Mr. Chairman, I have one general question of Mr. Bryce arising out of an answer that he gave in connection with telephones, telegrams and other communication services as supplied by the Department of Transport. The estimate for this year is \$2,665,850. You are a member of the Treasury Board, which reviews all estimates, Mr. Bryce?

Mr. BRYCE: Yes, sir.

Hon. Mr. ISNOR: When the item for television comes before you would you see whether any saving could be made by putting out weather reports through television? The estimated cost of \$40 million could perhaps be reduced considerably.

Mr. BRYCE: The plans as to television, sir, are at present so limited in their area of scope and the numbers of people likely to be receiving the programs that I do not believe we could cut down either the requirements for civil aviation or for general meteorological purposes by using television.

Hon. Mr. ISNOR: You are dealing with the present?

Mr. BRYCE: Yes, sir.

Hon. Mr. ISNOR: I am thinking of the future. Would you take that into consideration for future years?

Mr. BRYCE: Yes.

Hon. Mr. LAMBERT: Mr. Chairman, as to those scientific developments—such as facsimile transmission and television—which are supposed to increase the efficiency of government services, may I ask Mr. Bryce whether he thinks the capital cost of the new equipment, amortized over a period, might not exceed the present cost of personnel?

Mr. BRYCE: Yes, sir. As a matter of fact, nowadays my general instructions are that I am to question items even where an economy may be obtained over a long term, because we are trying to keep our capital expenditures down more than to a normal degree.

Hon. Mr. LAMBERT: The obsolescence of this new equipment is so rapid that one wonders whether the annual amortization costs might not be so high as to make the supposed saving, in comparison with present costs of personnel, misleading.

Mr. BURCHILL: Mr. Chairman, there is a question that I have been wanting to ask, but it has to do with an item that is a way down in the list, No. 21. At the rate we have been getting along this morning it would be some days before we reached that item, and as I have to go down to New Brunswick I may be obliged to ask my friend Senator Haig to put the question for me. What I have is a general question, and I do not know whether it would be in order, or whether Mr. Bryce would care to answer it. Senator Isnor suggested this morning that possibly the government's accounting system might be, shall I say, streamlined or made more efficient, in the light of present day conditions, so that you could give us a more informative and helpful breakdown of the estimates. Has a committee from the various departments, under the chairmanship of a representative of the Treasury Board, ever made an investigation as to possible changes in the general accounting system of the government?

Mr. BRYCE: We did give some consideration to a broad question of that kind, sir, in working on the Financial Administration Act that was presented to parliament last fall. Certain basic questions were taken up in connection with that. I do not believe that in recent years there has been a committee on the details of our accounting processes.

Hon. Mr. BURCHILL: Do you not think that a lot of good might be accomplished by such a committee?

Mr. BRYCE: I would think it is worth consideration, sir, but I hesitate to speak too dogmatically about it.

Hon. Mr. DUPUIS: Mr. Chairman, I should like to go on record as doing something in this committee meeting. It is now 1 o'clock, and I therefore move that we adjourn.

The CHAIRMAN: We have now completed Item No. 10. The Steering Committee will take under consideration this whole question, and see if our procedure can be improved a bit. On Thursday morning we shall have with us the officials from the Bureau of Statistics dealing with the national income and gross production, and also to give the information on the new consumer's index and tell us how it compares with the present cost of living index.

The Committee adjourned until tomorrow, Thursday, May 15, at 11 a.m.

1952

(THE SENATE OF CANADA)



Government
Publications

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953.

No. 3

THURSDAY, MAY 15, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

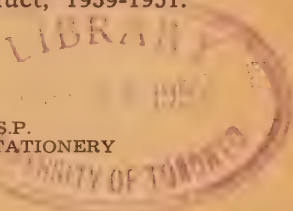
WITNESSES:

- Mr. Herbert Marshall, Dominion Statistician.
Mr. H. F. Greenway, Director, Labour and Prices Division, Dominion
Bureau of Statistics.
Mr. L. E. Rowebottom, Chief, Prices Section, Labour and Prices Division,
Dominion Bureau of Statistics.

EXHIBITS:

- No. 2. Dominion Cost-of-Living Index.
No. 3. National Income and Gross National Product, 1939-1951.
No. 4. Gross National Expenditure 1939-1951.
No. 5. The New Consumer Price Index.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1952



THE STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

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50 Members

*Ex officio member

(Quorum 9)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate,
Wednesday, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial, and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 15, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators:—Crerar, Chairman; Aseltine, Barbour, Beaubien, Burchill, Fafard, Gershaw, Golding, Haig, Hawkins, King, Lambert, McDonald, Quinn, Taylor and Turgeon—16.

Consideration of the order of reference of March 26, 1952, was resumed.

The following were heard:

Mr. Herbert Marshall, Dominion Statistician.

Mr. H. F. Greenway, Director, Labour and Prices Division, Dominion Bureau of Statistics.

Mr. L. E. Rowebottom, Chief, Prices Section, Labour and Prices Division, Dominion Bureau of Statistics.

At 1.00 p.m. the Committee adjourned until Wednesday next, May 21, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, May 15, 1952.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1953, met this day at 11 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: Now, gentlemen we will come to order. As stated the other day, we are taking up at this meeting a matter which is, I confess, a little beyond me, but with which, I have no doubt, members of the committee are fairly well acquainted; that is, the national income and gross national product figures from 1939 following each year down to 1951. These figures, of course, have a very definite bearing on our whole problem of taxation. They are a sort of chart by which we measure our economic health. If our taxation grows at a greater rate than our total production, then there are some danger signals flying. We can find out today from the witnesses we have here from the Bureau of Statistics what these figures signify. Perhaps they will be able to tell us to what degree inflation has affected the amounts of the increase in these figures. For instance, it is interesting to note that the net national income, a factor cost—and we will be able to get an explanation of what “factor cost” means—in 1939 was \$4,373,000,000.

Hon. Mr. REID: What page are you referring to?

The CHAIRMAN: I am on the first page, down about the middle of the page. In 1951 it was \$17,229,000,000. That is roughly an increase of a little more than four times. The total amount the Canadian people paid in taxes in 1939, as I recall from figures submitted by the Bureau a year ago, and which we shall have later on, was about \$1,036,000,000. This year the total taxes will probably be \$6,000,000,000. That is, the total taxation has increased approximately six times against the increase in production. These figures must be considered as approximate. Well, now, these are important things to dig into and to find the explanations for; so we have these gentlemen from the Bureau, who were also with us a year ago, and who gave us very useful information then.

In addition, on the first page we find the Dominion cost-of-living index from 1945 down to the present time. This index for the last few months has shown a very slight tendency to decline. In addition to that, we know that the Bureau is bringing out a new index, a new method of measuring the effect, I suppose, on the cost of living. Mr. Marshall, from the Bureau, is here this morning, and we shall hear him first. Probably he can enlighten us on just what changes have been effected through moving from this cost-of-living index, with which we are now familiar, to the new consumer index, as I think it is called.

Hon. Mr. McDONALD: Can he also give us a little explanation of how the cost of living from month-to-month is made up; that is, in a little more detail.

The CHAIRMAN: Quite. When we get the gentleman here, Senator McDonald, you can probe him with questions.

Hon. Mr. McDONALD: Could we start on now with that?

The CHAIRMAN: Well, we will hear Mr. Marshall first. But he has noted your question and probably can give the explanation. I am not going to take

up your time; I want to sit back and smoke; and Mr. Marshall will come forward, please, and give us this explanation. I think that Mr. Marshall may be seated, and the other gentlemen too. We proceed very informally in these meetings.

Hon. Mr. HAIG: The other two can sit right behind him, in case he wants to ask them anything. I suggest he tell his story, and then we will ask him questions.

HERBERT MARSHALL, Dominion Statistician: Well, Mr. Chairman and honourable senators, I would like first of all to make a few general remarks concerning what we now call, "the cost-of-living index", and which we propose in future to call, "the consumer price index". Let me assure you in the first place that this change of name does not mean any change whatever in the essential nature of the index. All we are doing is substituting an accurate title for an inaccurate and misleading one. Now, this change is in line with international practice. Countries all over the world are doing exactly the same thing as we are doing. Moreover, it conforms to recommendations which were made at the Sixth International Conference of Labour Statisticians. This conference was held in Montreal in August, 1947, at which there was representation of a great number of countries by labour statisticians. A resolution passed at that conference read:

In order to promote understanding of the nature and uses of indices of retail prices charged a particular group, the term "cost-of-living index" should be replaced, in appropriate circumstances, by the term "price-of-living index", "cost-of-living price index" or "consumer price index".

A lot of criticism of the so-called cost-of-living index which has arisen from time to time in many countries was because of a misunderstanding of what it was meant to measure. Whether called a cost-of-living index or a consumer price index, its purpose is to measure price changes only. You start with a fixed basket of goods and services in what is called a base year, and measure the change in the prices of the constituents of that basket from month to month. The basket in the base year is represented, of course, by the index 100; and changes in the prices of the goods and services which the basket contains are represented by a percentage change up or down, depending on the movement from month to month. Therefore, the index does not take account of changing standards of living. If, for example, some people have risen in the world economically speaking, and have become better off financially and live in better quality houses, buy more expensive food and clothing, purchase more services, the baskets may be changed radically as regards constituents, and the proportion of their income which is spent on each constituent item. Thus there are two factors in this case affecting their current cost of living. One is the price factor and the other is the change in standards. The cost of living or consumer price index must rigorously exclude the change in standards. Its purpose is to measure changes in prices only in so far as the existing index number is concerned. Experience shows that the general pattern of living or of consumer spending does not change rapidly, but over a period of time, of course, it does change. Therefore, if a price index were carried on on the same basis for any lengthy period, it would be apt to get out of touch with reality. That is why we have to change the base period from time to time. It has been customary in the past to change it once in every ten years, and that is what we are doing now.

The current revision we are making will be the third change of base. It is whenever the index is being revised on a new base that account is taken of general changes in the standard of living. Now, if there were changes in the standard of living or expenditure patterns of sufficient

significance to affect the market basket in such a way as to make it no longer representative at more frequent intervals than once in ten years, then the point is that the revision should take place more frequently. One of the improvements that we intend to make in this revision of the cost of living index is a provision for continuing budget surveys to check on the representation of the market basket. By this means we will always know whether or not the index is reflecting actual current expenditure conditions.

This new index, of course, was based on a survey of family budgets which covers the years 1947-48 and 49. From them we were able to find out what was the actual spending pattern, our standard of living, which we would have to measure in the new index; that is, what we would have to include in the new basket and the appropriate weight of each item and group. The patterns of post-war family purchases as reflected in the new index budget naturally differs from the pre-war pattern used in the old index, but the differences are not nearly so great as might be expected.

The new index will contain 225 items, about 65 more than we have in the present index. Additions will include more fruits and vegetables, children's clothing, fuel oil, and home ownership costs, if we can succeed in overcoming some technical difficulties in connection with measuring it. The search for satisfactory measurements of home-ownership costs have been going on for many years, and most countries will continue to assume that home ownership costs will move according to changes in rent paid by tenants. We do desire to go ahead of that.

Preparations for this revised index have been under way for many months. In this preparatory work the Bureau has followed a policy of discussing the plans with groups and organizations which were specially interested. Our objective was to receive criticism and suggestions from a representative cross-section of opinion. Among the groups and organizations with whom discussions were held were the following: The Trades and Labour Congress, the Canadian Congress of Labour, the Canadian and Catholic Confederation of Labour, the Canadian Manufacturers Association, the Canadian Chamber of Commerce, the Canadian Association of Consumers, the Retail Federation, the International Union of Mine, Mill and Smelter Workers, and the United Electrical Radio and Machinery Workers of America, and non-governmental economists in the universities and business.

We have had many discussions with experts on this subject who are working in the same field in other countries, including the United Kingdom and the United States. It was also the subject of discussion at the Conference of the British Commonwealth Statisticians. It was on the agenda of that conference. It has also been discussed with the International Labour Organization. It is obvious, therefore, that we have tried to make known to representative groups what we had in mind, and have sought their criticisms and suggestions. Indeed, we have found these suggestions extremely helpful; our aim is to produce an index in which full advantage has been taken of the most up-to-date technical developments in the making of such statistical series, and in which the views of representative groups and organizations have been heard and given the fullest consideration.

Mr. Chairman, that is the end of the little prepared memorandum which I have. My purpose was to describe in general terms the objectives which we are pursuing, and the course which we have followed in pursuing those objectives. I have with me Mr. Rowebottom and Mr. Greenway, and they, along with myself, attended these various discussions which we have had with groups and organizations. They are very expert in this field and we shall be very happy to try and answer any questions.

Hon. Mr. GOLDING: I wonder if Mr. Marshall now could answer Senator McDonald's question that he asked previously?

Mr. MARSHALL: Might I have the question again?

Hon. Mr. McDONALD: I asked the Chairman, Mr. Marshall, before you took your present seat, if you could explain to us a little more in detail just how the cost of living index or consumer price index, how it is made up from month to month. Could you give us some detail on that?

Mr. MARSHALL: Both indices will be made up in the same way, of course. As I explained in my introductory talk, there is no fundamental difference in the method of making up those indices. We have a more accurate title for it, and I have given the reason for that.

Of course, it is quite a story to recount just how a cost of living index is made up. There is an immense amount of data which has to be collected from the field in the way of prices. First of all, of course, you have got to start off with this budgetary survey of which I was speaking. We had a budgetary survey in 1947 and 1948, in which we succeeded in collecting somewhere between three and four thousand family budgets, which show how families were actually spending their money. We found out how much they were spending on food as a group, for instance, and how much on each item of food.

Hon. Mr. HAIG: How did you get that information?

Mr. MARSHALL: We got that in the field.

Hon. Mr. HAIG: How did you get it in the field?

Mr. MARSHALL: We had enumerators go out and actually interview the families and get them to co-operate with us. Of course, we covered a great many more than between three and four thousand families; I think we covered about ten thousand families. But after you get your returns in you have got to go through them and see if they are good enough to include as basic data on which to compile the cost of living index.

Hon. Mr. QUINN: Those interviews were conducted right across the country, were they?

Mr. MARSHALL: Yes.

Hon. Mr. McDONALD: How often?

Mr. MARSHALL: It was in 1947 and 1948 that we did this survey, just one survey, except in the case of foods.

Hon. Mr. McDONALD: But how do you keep in touch with these people for information from month to month?

Mr. MARSHALL: First of all we have to get this basic information, which gives us the commodities and services that go in the basket that we are going to measure and tells us what weights we should give to them. You cannot just make a list of commodities and say you are going to base a cost of living number on them, for some commodities are much more important than others. For example, bread, eggs, butter and meat are much more important in family consumption than salt, pepper and things of that character. So we have to find out from actual experience, by consulting the families, what is the pattern of expenditure, and on the basis of that information we can make up our index number.

After you have done that you have a list of commodities that you are going to include from month to month in your index and measure them, and these commodities have to be given weights as well. You cannot put in every commodity; you have to take some as representative ones. We found that we could have fewer commodities in our index and still have very little difference in the actual figures at which we arrive. But we do put in even more commodities than are necessary, so that people may feel that this

index number is measuring the things that enter into their cost of living, and that it is a representative budget that we are measuring from month to month. It is not only foods and clothing and rent that go into the list to make up the index number, but a lot of miscellaneous items, such as fuel and so on, and services of various kinds. Later on, if you desire it, we could read out a list of the items that we include.

Hon. Mr. McDONALD: I think we should have that, with the weights that you assign to them.

Mr. MARSHALL: We can give you the weights too.

Now, having decided on all the things that are to go into the list, then from month to month you have to get prices on them. We have a very wide coverage throughout the dominion of, say, the price of bread or the price of flour or of butter or of textiles. And besides that we have specially trained people on the staff of the bureau who can go into, say, department stores and other stores where clothing is sold. They are trained to recognize the quality of the articles which they have to price; you have to be sure you are pricing the same thing from month to month. All that preparation goes on, and these prices come to the bureau, and then in the bureau itself we have a staff which takes all these basic data, weights these prices accurately, and the end product is what we call now the cost of living index and what afterwards we are going to call the consumer price index.

Hon. Mr. McDONALD: You keep in touch with these people every month by letter?

Mr. L. E. ROWEBOTTOM, Prices Section Chief, Labour and Prices Division, Dominion Bureau of Statistics: May I make an explanation?

The CHAIRMAN: Yes.

Mr. ROWEBOTTOM: The only people that we interview frequently in order to obtain the prices which families pay for the goods and services that they use, are the retailers. In order that price changes may be measured these prices are collected frequently; depending on the nature of the normal movement of the prices, we will collect them monthly, or less frequently if they are known to be fairly stable prices. The basket of goods and services to which these prices are applied is obtained from families at infrequent intervals only. In other words, once the basket of goods and services has been set up we can continue with that same basket for fairly lengthy periods of time, and the only things we need to know each month are the price changes which affect the cost of buying a given amount of goods and services.

Hon. Mr. HOWDEN: Do the contents of your basket change much with the time of the year?

Mr. ROWEBOTTOM: The problem of seasonal differences in consumption is a very difficult one to handle in terms of a consumer price or cost of living index. The present cost of living index does not take into consideration the fact that people eat more fresh tomatoes during the late summer and fall than in the middle of the winter. In this case we include canned tomatoes in the index and hope that the price movement of canned tomatoes will be an adequate reflection of the price movement of all tomatoes. In the new consumer price index we do hope to change the quantities of certain foods which are known to change in consumption from month to month, depending on the season of the year. But it is a highly complex operation to construct a price index which will adequately handle the change in consumption from month to month. As you will appreciate, first of all this is very difficult information to obtain from families.

Hon. Mr. REID: The last survey was made in 1938?

Mr. ROWEBOTTOM: No, sir, in 1948.

Hon. Mr. REID: I am speaking of the survey for the current index. That was made in 1938 and you base your index of prices on that. Now, in 1938 many families were not eating as much as they are now, because there was considerable unemployment then. As unemployment increased and wages went higher many families increased their consumption of food. Yet the consumption over that cross-section is based on 1938.

Mr. MARSHALL: Senator, you have to take into consideration the fact that when we made that survey we did not include in the budget survey people who were unemployed. We took the people who were employed at that time. So in that respect there is no reflection, I think, on the old cost of living index.

Hon. Mr. REID: Why did you leave out children's clothing? My own experience is that that is a heavy item of expense in most families, yet it is not included in your index at all.

Mr. ROWEBOTTOM: First, in addition to children's clothing, you could comment on other items which are not included in the index. It is impossible to price every commodity which people buy. If we approximated the total number of items consumed by the families of Canada, the cost of producing the index would be prohibitive; the amount of time and effort that the storekeepers would have to spend in providing the information would be impossible. So, we use what is known as a process of imputation: We impute expenditures on one item to an item which is similar in construction, content and degree of manufacture. In 1940 when the current index was being constructed it seemed a reasonable procedure to impute expenditures on children's clothing to adults clothing, on the assumption that the price movement of adult's clothing would indicate the price movements of children's clothing. Any experimentation that we have been able to do indicates that this has been a relatively valid assumption.

Hon. Mr. REID: Then why are you changing it now?

Mr. MARSHALL: Senator, there is a very good reason for that. The reason we changed it now is because people have criticized the index on that account, and it looks better to have it in, although it is going to make mighty little difference to the index. Is that not a fact, Mr. Rowebottom?

Mr. ROWEBOTTOM: Yes. One additional point I might mention is that we have improved our abilities in pricing highly complex articles over the past ten years; and what looked to be an exceptionally difficult item on which to obtain a comparable price series through time, now looks to us to be an item on which we can obtain a satisfactory record of price movement.

Hon. Mr. REID: One of the principal reasons affecting children's clothing, according to the statement made in the House of Commons, was that the majority of families interviewed had from two to three children; naturally the question arose, why exclude children's clothing.

Hon. Mr. GOLDING: Mr. Chairman, is it not true that in the period 1938-39 labour income and farm income was really below what it should have been; everyone in those groups should have been getting higher incomes. The index was taken at a time when incomes were depressed.

Hon. Mr. REID: And there was less consumption of food.

Mr. ROWEBOTTOM: The average income was taken from families which were employed, surveyed and included in the index. The families that we took to select the items included in the index budget averaged an income of \$1,450 in 1937-38 and ranged up to \$2,600.

Hon. Mr. GOLDING: But what is the average now?

Mr. ROWEBOTTOM: It is of course much higher than that.

Hon. Mr. GOLDING: But what is it?

Mr. ROWEBOTTOM: Of the families which were included in the new index?

Hon. Mr. GOLDING: Yes.

Mr. ROWEBOTTOM: I cannot tell you precisely, sir. The income range of the families which we propose to include in the new index is from on the bottom side, \$1,650, to on the top side, \$4,050.

Hon. Mr. GOLDING: You have that range now, on which you are going to base your calculation, but what was the range in 1938 as to the high and low?

Mr. GREENWAY: It was from a low of about \$600, that is the cut-off point, to a high of about \$2,800. These figures were typical of the times. In the base period, 1935-39, you may recall that this would represent a substantial increase above depression levels; income levels at that time were of course not back to the pre-depression levels.

Hon. Mr. REID: But your new calculation bears out what I said, because you put more weight to food: The new rate is 32.

Mr. GREENWAY: Yes.

Hon. Mr. REID: The earlier calculation should have been made when people were working and had more money.

Mr. ROWEBOTTOM: They were working; the survey was restricted to families wherein the heads of the household were working and were wage earners at that time.

Hon. Mr. REID: Is it not a fact that you took the increased costs of commodities?

Mr. ROWEBOTTOM: That is correct.

Hon. Mr. REID: And compared it with the consumption in 1938, which was all out of line.

Mr. ROWEBOTTOM: No.

Hon. Mr. REID: I maintain that the people were not consuming as much in 1938, because they weren't earning as much money.

Hon. Mr. QUINN: But the cost of commodities were proportionate.

Hon. Mr. REID: But they took the basket, which is still the same, and when the price started to go up the cost was applied to that same basket, to give the cost of living index.

Hon. Mr. HAIG: That is correct.

Hon. Mr. QUINN: But prices went up and wages went up too.

Hon. Mr. REID: The basket remained the same, but the prices started to go up. They related the cost of goods to that consumption. For the sake of argument, I say that in 1945 the consumption of food would be very much greater than in 1938, because the people were eating less in 1938, therefore the index has been out of line all those years.

The CHAIRMAN: Order, order!

Hon. Mr. LAMBERT: But Mr. Chairman, let us clarify this point.

The CHAIRMAN: Just a moment.

Hon. Mr. LAMBERT: The matter has not been made clear at all. What is the basic index, 100?

Mr. MARSHALL: Yes.

The CHAIRMAN: We will get to that in a moment. I want to keep the questioning in order. Senator Reid is following a line of questioning, and when he is through someone else may take his turn. I insist on there being no discussion back and forth between the members of the committee. Let the questions be directed to these gentlemen.

Hon. Mr. HAIG: Then Mr. Chairman, you had better limit the number of questions that may be asked, because it is unfair to let Senator Reid ask questions for half an hour, and then when Senator Quinn comes in a dispute starts. You had better limit each member to five minutes.

The CHAIRMAN: Very good. Proceed, Senator Reid.

Hon. Mr. REID: I would think that is the feeling of the committee, that you give each member so many minutes in which to ask questions. I have not been asking questions for half an hour; and Senator Quinn made an observation, and I answered him as clearly as I could. You can start with Senator Lambert, and I will wait till the last.

Hon. Mr. LAMBERT: I should like to get at the beginning of this point.

An Hon. SENATOR: Let this question be answered first.

The CHAIRMAN: Perhaps we should let one of these gentlemen answer the question that has been asked by Senator Reid first.

Mr. MARSHALL: Senator Reid is I think making statements on the false assumption which we already have refuted, but he seems to persist in that view. It seems to me that we have already said that the basis of the old index was made from the budgetary information of people who were fully employed; therefore, it was a reflection of what those people could buy at that time with a full income. I say, therefore, we have not been misrepresenting anything.

Hon. Mr. REID: Then am I incorrect? I do not want to misconstrue what you said; we are all here to find out how this thing ticks. My question, if you remember it, was the present index—not the new one—is based on the 1938 survey.

Mr. MARSHALL: That is correct.

Hon. Mr. REID: People were not eating as much then because incomes were not as high as they were in 1945. You have given proof of what I am saying by your new index submitted to the House of Commons in which you change the weight on consumption from 31 to 32. Therefore, you are out of line when you are taking the cost of living index from 1938-39 without changing the consumption.

If I am wrong, I am willing to listen to your explanation.

Mr. ROWEBOTTOM: May I comment, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. ROWEBOTTOM: You have to get back again, I think, to purpose. It was reported to us in the 1938 survey that typical families who were at that time employed spent their money in such a way; they bought so many quantities of goods and services; and we have measured the price change of those quantities through time for somewhat better than ten years. In order to construct an index which is a price index we must maintain quantities constant. If, as consumption had increased in terms of food or clothing or anything else, we had incorporated these higher consumption levels into the index and permitted them to affect the movements of the index, we would have had an index which approximated expenditure rather than price change. It is accepted statistical practice not only in this country but other countries to modify and bring your basket up to date at ten-year intervals. As Mr. Marshall said, we now no longer believe that ten-year intervals are sufficient, and we think it should be done more frequently than that. We agree perhaps it should have been done before now, but we had an exceptional set of circumstances. It was impossible to take a survey during the war, for numerous reasons. Following the war you had an exceptional set of economic conditions arising from reconstruction, and a survey taken prior to the 1948-49 survey

would have reflected what were at that time believed to be obvious abnormal consumption circumstances. So we had to wait until some period of time which looked as though it could be used for a number of years following the survey dates.

Hon. Mr. REID: If the consumption in 1945 had been comparable to 1938, would the price index figures have shown any difference? What I am getting at is—and it is along my contention that consumption had increased from 1938 to 1945—if the consumption in 1938 had been similar to 1945 would the price index have been any different?

Mr. ROWEBOTTOM: The answer is almost entirely "No". The movement of the two indices would have been so close together that any difference in movement would have been insignificant.

Hon. Mr. LAMBERT: I should like to make the point that you are not starting the right way with this thing at all; that there is a certain measuring rod that the statistics branch are using to estimate consumers' index, cost of living. Now, as I understand it, that measuring rod was from the year 1935 to 1939, which represented 100. Now you are changing that to cover the years 1945, or 1949?

Mr. ROWEBOTTOM: 1949 will be the new base.

Hon. Mr. LAMBERT: Just one year?

Mr. ROWEBOTTOM: Yes.

Hon. Mr. LAMBERT: It will not be an average over—

Mr. ROWEBOTTOM: The figure 100 will refer to the year 1949.

Hon. Mr. LAMBERT: That will be your basic index?

Mr. MARSHALL: That is right.

Hon. Mr. LAMBERT: I think that takes care of an awful lot of questions which Senator Reid has been asking, because you no longer think in terms of the 1938 survey or the index of 100 as it represented 1935 to 1939. If we are going to go on the basis of 1949 being the 100 mark, and anything that transpires from now on will be either a percentage above or below that, then it seems to me the detail that has been injected into this thing is of very little consequence. The fact is that this thing is relative; it is a matter of relation of costs of these materials to income. If I were going to analyse this thing, I would want to know a little more about how you estimate income, and whether as I expect you do, you take into the cross-section of your inquiry farm families as well as urban and industrial families. The whole question of farm income was certainly brought into debate in 1943, to my knowledge, when certain figures were being used pretty loosely in this country representing farm income, and it was admitted at that time by the branch that there was a good deal to be desired in the way farm income was made up. Now, the whole question of how much is consumed in the way of food on farms, and rental figures—which is a very definite quantity in an urban community—and so on, left that figure open to a good deal of challenge. So I think that same thing should be dealt with here in a broad relationship of income and costs rather than to take clothing and so on. We assume you have got a representative list on which to base your figures in this way, but as I say this cost-of-living index or consumers' index is something like the family thermometer that rests in the cabinet, and when you think you got a fever you take the thermometer and see what temperature you have got: it is a question of how high your temperature has gone. That is all I have got to say. It is a matter of clarifying it.

The CHAIRMAN: I think there is something in Senator Haig's suggestion, and I will proceed to try it out as an experiment. Senator Ross, have you any questions to ask?

Hon. Mr. ROSS: No.

The CHAIRMAN: Senator King?

Hon. Mr. KING: No.

The CHAIRMAN: Senator Taylor?

Hon. Mr. TAYLOR: No.

The CHAIRMAN: Senator McDonald?

Hon. Mr. McDONALD: Following up my previous question, Mr. Chairman, I would like to state this, in all fairness to farm groups. The 1938 figure of 100 per cent, that is taking 100 from 1935 to 1939, was very unfair to primary producers, because their products at that time were at depression low; that is, the prices were very much depressed; and therefore, as you go on through the years, especially in later years, it has not shown a true picture so far as agriculture is concerned.

Mr. MARSHALL: The consumers' price index which we are making now is an index which relates to urban conditions, not to farms. In the budgetary survey that we made we did get some budgets from farmers, but we were not satisfied as to their representativeness, and I think it is the desire of Mr. Rowebottom and Mr. Greenway that we do more work on the basis for the farm index, and that will have to be done at a later time. I think it is only fair to admit that we do feel that in so far as the farm index of the past is concerned, it has been a very difficult type of index to make. We would have certainly been happier if we had more basic information. This time we want to be sure that we are on good ground. Am I right?

Mr. ROWEBOTTOM: That is correct.

Hon. Mr. McDONALD: How long will it be before you get a proper index of farm costs?

Mr. MARSHALL: We have a big job on our hands now in making up the consumer index in measuring urban conditions. As soon as we get that finished we will attack the one dealing with farms.

Hon. Mr. McDONALD: I hope that it will not be too long delayed because I think the farm group has been misrepresented by you people because of the low costs that existed when you started this in 1938. A dollar would go a long way in buying vegetables for a family in a week. Two dollars would go a long way towards buying the meat for a family of four or five at that time, but prices have gone up so very much, and the cost of production has risen so very much that I would hope that you could get a reliable index as soon as possible.

Mr. MARSHALL: Perhaps Mr. Greenway would like to make some prognostication as to when we might get on the farm index, and perhaps he could elaborate on what I have said.

Mr. GREENWAY: I should like to establish, first of all, that there is now a separate farm index of living costs. I am not sure that that is clearly understood. The question of producing a new farm cost of living, or a farm consumption price index, is just as difficult as the one Mr. Rowebottom is now faced with in turning out his new consumer price index. I would judge that it will be several years at least before we could hope to have a farm index nearly as adequate as the urban index which he is now in the course of completing.

Hon. Mr. McDONALD: Why did you start with the urban and not with the rural?

Mr. ROWEBOTTOM: It is a case of use. It is a matter of the importance of the urban as compared with the importance of the farm index.

Hon. Mr. McDONALD: Do other leading countries such as the United States and Britain still use 1939 as 100?

Mr. ROWEBOTTOM: Not altogether. The United States is currently using 1935-39 and is in the process of going through the same revision work as we are in this country. We are almost neck and neck on this revision program in both countries. They are planning to change their base period to the years 1947-8-9 as equal to 100, and anticipate the introduction of their index in the near future. The United Kingdom has not moved quite that far. While their base is more advanced in terms of 100—I forget the date they are now calling 100—their consumption patterns are well pre-war.

Hon. Mr. McDONALD: Perhaps I have exhausted my time, but I should like the table you have spoken about placed on record for study.

Mr. ROWEBOTTOM: We could perhaps table this document entitled "The New Consumer Price Index". I have a number of copies of this document which gives the group weights of both the old index and the new index.

Hon. Mr. McDONALD: Could we have those?

The CHAIRMAN: Do you want those now or when we are through?

Hon. Mr. McDONALD: I should like to have my copy now.

The CHAIRMAN: Then they shall be distributed. Are there any further questions?

Hon. Mr. BARBOUR: You say that you are figuring now on 1949 for the basic year. Could you tell me what percentage of primary products is figured in the 100 per cent for 1949?

Mr. ROWEBOTTOM: That is a question of definition. May I ask what you have in mind as to primary products?

Hon. Mr. BARBOUR: I mean cereals, grain and bread and things that are primary to the farmer.

Mr. ROWEBOTTOM: I cannot tell you that, sir.

Mr. MARSHALL: This is a consumer price index, and of course it would not include in it such a commodity as grain. It includes products in their final stages.

Hon. Mr. GOLDING: It would include bread.

Mr. MARSHALL: Yes, but we have never had occasion to make a classification of that kind in connection with the cost of living index number so we have not got that figure on hand.

Mr. ROWEBOTTOM: It would be roughly in proportion to production of farm products in this country, modified by the picture of imports and exports. It would be roughly in that ratio.

Hon. Mr. BARBOUR: What relation is your cost today to your cost of 1939, say, in collecting this information for the Bureau?

Mr. MARSHALL: Well, we have not worked that out. We shall have to have an additional staff on this new consumer price index because we are going to make these continuing surveys. Apart from that, you know how wages have gone up.

Mr. ROWEBOTTOM: Probably the most important factor affecting a change in cost is personal collection of prices. In 1939 we did not have price-collection agents in the major cities collecting prices on the spot. We have had such agents since 1942-43, and that has increased the cost of price collection very substantially.

Hon. Mr. GOLDING: I am not finding any fault with the method of compiling your statistics at all, but comparing the situation that existed in 1938 with other years, I think you will agree that this survey should be made oftener, especially when you have a condition where really there has been a depression, and then in a few years a condition which has been the very opposite, actually an

inflationary period. I think Senator Lambert touched on what I was trying to get at; that is, the relevancy between the two periods. When you make a comparison you may show an abnormal rise in the cost of living compared with the income of those that are affected. That is what I had in mind, but I do not want to stress it.

The CHAIRMAN: Senator Quinn?

Hon. Mr. QUINN: Senator McDonald in a question referred to the low price of farm products in the years 1938 and 1939. Were they any lower in comparison to the prices of other commodities that go to make up the cost of living than they are in comparison with those other commodities today?

Mr. GREENWAY: I believe it would be true to say, senator, that the foods originating from the farm were relatively lower at that time than they are at present.

The CHAIRMAN: Senator Howden?

Hon. Mr. HOWDEN: Mr. Chairman, the thought that I had in mind awhile ago was prompted by the interrogation of Senator Reid. He was talking about the relatively smaller consumption of food in 1938 than in 1945, I think. It seems to me that there would not be much difference in the consumption of food, because a man's empty stomach has got to be filled in some way. Under certain conditions he may have to satisfy himself with a poorer choice of foods than he would consume under other conditions, but I would like to ask you, Mr. Marshall, if in your research you have found that much more food was consumed in 1945 per family than in 1938.

Mr. MARSHALL: The comparison that we give of the group base weights of the new and old indexes shows that the percentage for food under the old index was 31 and under the new index it is 32. That is not much of a change. The sheet on which we give the comparison between the old index and the new has been passed around here, and you will see that the change is not very great in any budget group. Experience seems to show that consumption patterns do not change very rapidly.

Hon. Mr. HOWDEN: That is the point I had in mind.

Mr. MARSHALL: However, in future if there is a criticism that our index number does not reflect the current consumption pattern, we shall have these continuing surveys to show whether the index number is true or not. Should there be some radical change in consumption, the data that we shall have will enable us to bring the index number up to date.

Hon. Mr. HOWDEN: Generally speaking, are you finding that the cost of materials for this new record that you are making now is much higher than it was for the former list?

Mr. ROWEBOTTOM: Yes, absolutely. The relative cost position would be a measure of the current cost of living index itself, which now stands at approximately 190. In other words, the prices of the things which typical families in this country buy have increased in the neighbourhood of 90 per cent.

The CHAIRMAN: Senator Haig?

Hon. Mr. HAIG: I have two questions. First, will you describe how in 1938 or 1940 you got the basket, as you called it. I presume that included food, clothing, rent and current expenses. My experience is that in my province, Manitoba, you sent people around asking families what their income was. The wife would come to the door and say, perhaps, that their income was \$1,500 a year and that they had two children; and next door you might be told that the family income was \$1,600, and that they had three children; and so on. And as I understand it, you averaged those figures.

Mr. GREENWAY: Your understanding is quite correct, Senator Haig. We had expenditure booklets, and the enumerators went to the individual households and found out the exact figures.

Hon. Mr. HAIG: And if the husband was unemployed you did not take any record of that family at all?

Mr. GREENWAY: Correct, sir.

Hon. Mr. HAIG: Now you are getting out a new cost of living index for 1949, and I presume that will be 100.

Mr. GREENWAY: Yes.

Hon. Mr. HAIG: How am I going to ask whether the cost of living index number, which is at present about 188, has gone up or down in comparison with 1949? Are you going to give us the current record at the same time?

Mr. MARSHALL: Yes, senator. When the consumer price index is published you will have figures on the old index and on the new one from 1949 to the date when it is issued and perhaps six months thereafter. That is our present intention.

The CHAIRMAN: Senator Aseltine?

Hon. Mr. ASELTINE: I would like to ask if the cost of domestic help has been taken into consideration at all.

Mr. ROWEBOTTOM: In the new basket there is a representation of what you call household help.

Hon. Mr. BEAUBIEN: Is that not classed as a luxury now?

Hon. Mr. ASELTINE: I am not through yet.

Hon. Mr. BEAUBIEN: I thought I would drop in there.

The CHAIRMAN: We will give you a chance later, Senator Beaubien.

Hon. Mr. ASELTINE: It is the opinion of most people, particularly my wife, that the cost of living has gone up much more than your index would lead us to believe. For instance, she tells me that it costs us just as much now to run our home, though we have no children and no maid, as it used to when we had five children and a maid. How do you account for that?

Mr. MARSHALL: We know that in a great many cases—I do not say in this case—people confuse the consumer price index—that is to say, the movement of prices alone—with standards. And I think it will be generally admitted that on the whole the standard of living is higher now than it was in 1938.

Hon. Mr. ASELTINE: Not with us.

Mr. MARSHALL: Well, with a good many people it is. And I think that in those cases people are overlooking the fact that they are living at higher standards now, that they are using more services, better automobiles and more gadgets in the house, and so on. That is one factor in a standard of living. Now, all we can do is to measure a fixed basket. We have to try to show what is the movement of the prices, with a fixed standard, as we get the information in the base year. If you try to measure two things at the same time you have neither one nor the other.

Hon. Mr. ASELTINE: How do you account for the position in which we find ourselves?

Mr. ROWEBOTTOM: There is one other factor which may have some bearing on this point; this is often the case; but again it may not apply to you. I think it is generally true that the housewife spends the money which she has to spend, on those things which have increased most in price.

Hon. Mr. HAIG: That is the answer.

Mr. ROWEBOTTOM: She forgets about the expenditures which you would make and which have not increased nearly in proportion to, for example, food,

which has increased more than any other component of the index. She perhaps does not pay the light bill or the telephone bill; she may not have any outlay in connection with transportation, for street car or running an automobile.

Hon. Mr. ASELTINE: Oh, but why pay all those items on the side?

Mr. ROWEBOTTOM: But all the things which you pay are likewise included in the index, and the average of the price changes of those things which you spend money on and which she spends money on, determines the movements of the index. There is one other possible explanation, and that is the way you live and the way you spend your money may be radically different from the average typical family with which we are concerned; you may differ from the normal consumption pattern which, after all, a national index must be concerned with.

Hon. Mr. ASELTINE: The point which I have raised is one that bothers most people.

Mr. ROWEBOTTOM: That is true.

Hon. Mr. ASELTINE: That is why I raised it, and I hope that when the people read the report of your explanation they will be able to understand it.

Hon. Mr. TURGEON: I have one question to which I should perhaps know the answer. The Bureau has made a comparison between the cost of living over two different periods. Have they made a comparison between the cost of living and the general income in one period, as compared to the cost of living and the average income in another period?

Mr. GREENWAY: We can tell you the amount of weekly wages of industrial workers since 1939, and the difference between 1939 and the present time. Is that an adequate answer?

Hon. Mr. TURGEON: That would be related to what amount? Has that been published at any time?

Mr. GREENWAY: Yes, it is published regularly.

Hon. Mr. TURGEON: Has that information been published in relation to the cost of living index? In other words, is there any volume that would show the relationship of the cost of living with the general income for, say, 1951, and a similar comparison for, say, 1938?

Mr. MARSHALL: There are two series in the cost of living index and the index of average weekly earnings; both are published monthly in the Canadian Statistical Review.

Hon. Mr. TURGEON: Are they published in relation to each other, or are they separate publications?

Mr. MARSHALL: They are separate tables in the same publication.

The CHAIRMAN: Do you require further information, Senator Turgeon?

Hon. Mr. TURGEON: No, I am satisfied with the answer, as far as the information goes.

The CHAIRMAN: Senator Hugessen?

Hon. Mr. HUGESSEN: I am not a member of the committee, Mr. Chairman.

Hon. Mr. HAIG: You have a right to ask questions.

Hon. Mr. HUGESSEN: No thank you.

The CHAIRMAN: Senator Lambert?

Hon. Mr. LAMBERT: I do not wish to impose myself on the committee any further than I have, but there are one or two things which I should like to have cleared up. If the consumer price index is, and has been, limited in its application to urban or industrial people, and does not apply to farm or rural families, is fair to assume that you are really basing the cost of living index upon the experience of only 60 per cent of the people of this country? I am taking 60-40 as a fair division between the rural and urban population.

Mr. MARSHALL: You really have to make two indices, one as an urban index and the other for the rural or farm area.

Hon. Mr. LAMBERT: Exactly; and I am particularly interested in the figures on farm income and expenses, because it makes a very great difference. We listen over the radio to bulletins that say that the cost of living index is up or down a half point, or an eighth of a point, and, as I said earlier, it is like taking your temperature when you have a cold. People are better off by not taking their temperatures, particularly if the thermometer is only 60 per cent accurate. That is one of my chief points. If the index is 190 today, in relation to the base of 100 in 1935-39, what is the index today in relation to 1949?

Mr. ROWEBOTTOM: On 1949 it would be approximately 120.

Hon. Mr. LAMBERT: It is up 20 in relation to '49?

Mr. ROWEBOTTOM: Yes.

Hon. Mr. LAMBERT: Is domestic help a fair average item to include in the cost of living index?

Mr. ROWEBOTTOM: If we may comment not on just that item, but at the same time on all items in the new index—because the same criteria were used to determine the inclusion or exclusion of all items—household help had the same treatment as bread. We have been concerned with the facts of the case. We have attempted to select typical families, to start with; in other words, we do not want families who represent extremes, either the very wealthy or the very poor. The starting point has been to select the typical family. The next step has been to determine how these typical families spend their money; what do they buy in terms of goods and services. Whether or not an item is considered by some people to be a necessity, and by others to be a luxury, or whether it has sociological implications, good or bad in their nature, has not been a concern which we as statistical people feel we should worry about. The information reported shows that families spend a very small amount on the average for household help, nevertheless, they spend something.

Hon. Mr. LAMBERT: Yes.

Mr. ROWEBOTTOM: If you included that item, it would bring the average up. The amount of household help is very small. The reported expenditure probably represents outlays for services of baby-sitters, the char woman who comes in once a week or once a month to polish the floor, and so on.

Hon. Mr. LAMBERT: Up to the present time you based your index largely on food, clothing and shelter.

Mr. ROWEBOTTOM: Those are of course the important things in the index.

Hon. Mr. LAMBERT: In "shelter" I include fuel and so on.

Mr. ROWEBOTTOM: At present it is based on a complete range of goods and services, and again related to how the people spend their money. The table you have in front of you will show the relative importance of food, clothing and shelter. Under the old index we took fuel, home lighting and services, which took 15 cents out of every dollar, and whole series of miscellaneous goods which took 23 cents out of every dollar spent in the base period.

Hon. Mr. LAMBERT: What about capital expenses, such as buying a refrigerator or an electric stove or—

An Hon. SENATOR: —an automobile.

Hon. Mr. LAMBERT: Yes. Are those considered?

Mr. ROWEBOTTOM: Yes, those are properly weighted in the index.

Hon. Mr. LAMBERT: You have to distribute these over a period?

Mr. ROWEBOTTOM: Quite so, over a lengthy period.

The CHAIRMAN: Any other question, Senator Lambert?

Hon. Mr. LAMBERT: No.

The CHAIRMAN: Now we will start on the back row. Senator Beaubien?

Hon. Mr. BEAUBIEN: Thank you, Mr. Chairman; it is very kind of you. I would like to ask Mr. Marshall something. He says here: "The new index number will be lower of course than if they were on the 1939 basis". What does that mean?

Mr. MARSHALL: Well, the present index is on the 1935-39 basis, and prices have been going up until you have an index now of about 190. If you don't start away back in 1935, but higher up in the time series and divide the index at the higher point into your current index, you are bound to get a lower figure, are you not?

Hon. Mr. BEAUBIEN: May I ask another question, referring to something on the back of the page: the group base weights of new and old indexes, budget groups. You have the new index on food at 32?

Mr. MARSHALL: Yes.

Hon. Mr. BEAUBIEN: And the old index at 31?

Mr. MARSHALL: Yes.

Hon. Mr. BEAUBIEN: In other words, on the new index, instead of 31 you have increased it to 32? Am I right?

Mr. MARSHALL: That is correct.

Hon. Mr. BEAUBIEN: On food?

Mr. MARSHALL: Yes.

Hon. Mr. BEAUBIEN: Well, how did you arrive at 31 between 1935 and 1939, with the prices of food at that time, and today, you only arrive, with food at its present prices, at 32. How do you reconcile that?

Mr. MARSHALL: This index number, of course, is based, as Mr. Rowebottom has pointed out, on the actual experience which we ascertained from the family budgets. Now, you have to take into consideration the fact, it seems to me, that not only this cost-of-living index but also income has risen, and therefore it is quite conceivable—as a matter of fact our statistics indicate this from the budgets—that the group we are measuring, this very large representative group, are only spending 32 per cent of their income on food.

Hon. Mr. BEAUBIEN: In other words, you take the income as well as the expenditure?

Mr. MARSHALL: That is right.

Hon. Mr. BEAUBIEN:—to arrive at these figures?

Mr. MARSHALL: Yes.

Hon. Mr. BEAUBIEN: Thank you, Mr. Chairman.

The CHAIRMAN: Senator Fafard?

Hon. Mr. FAFARD: No questions.

The CHAIRMAN: Mr. Gershaw?

Hon. Mr. GERSHAW: I would like to ask if the costs of health services, of hospital accommodation, and of these newer antibiotic drugs, and medical expenses generally, are figured in, and how do you figure this prepaid medical scheme, which includes quite a large proportion of our population, as regards those who have no prepaid medical plans.

Mr. ROWEBOTTOM: The current index measures an increase in the cost of medical care since 1935-39 of a relatively large magnitude. I do not recall off-hand the sub-group index of health care, but there definitely has come an increase in the cost of doctors, medicine, hospitals, drugs, all of these things. Does that answer your first question?

Hon. Mr. GERSHAW: They are all figured in, are they?

Mr. ROWEBOTTOM: They are all figured in. On prepaid medical care, the current index does not have any separate expenditure relating to prepaid medical care; in other words the assumption in the current index is that changing costs of prepaid medical care to these people who have such insurance is a measurement of the change in the cost of the things which that insurance goes to buy. In other words, that as hospital rates go up, so must insurance rates offering protection against entrance into a hospital. In the new index we propose to have a separate measurement of all prepaid medical care. We are still encountering considerable difficulties in trying to measure this particular component, because of the fact that the basket of medical services which is offered changes from time to time under the same plans, and it is very difficult to measure the price change of identically the same amount of protection, because the amount of protection itself is altered from time to time, where rates will remain constant, or may change likewise. But we hope to overcome this difficulty and have a separate measurement of prepaid medical care.

The CHAIRMAN: Any other questions, Senator Gershaw?

Hon. Mr. GERSHAW: No. Thank you.

The CHAIRMAN: Senator Burchill?

Hon. Mr. BURCHILL: Yes. I would like first to follow up the question that one senator asked regarding the increase in the weekly earnings figures there as compared with the increase in the cost of living since 1938.

Mr. GREENWAY: Yes, sir.

Hon. Mr. BURCHILL: Can you give us that?

Mr. GREENWAY: We have a record of weekly average earnings for non-agricultural industries. That figure since 1939 has risen to the level, by the 1st of March of this year, of almost 230 in relation to 1939 as 100. The corresponding cost-of-living comparison for March 1952 is 186.3. Now those figures, taken by themselves, do not tell the whole story. There are many things involved that you must take into account if you wish to relate these two figures. The movement in average earnings is simply a reflection of the average amount of pay per week that all people employed in industry receive. There are other factors that must be considered: the question of differences in taxation levels; the fact that the employed people themselves are not the same, there are more women employed in industry at slightly lower wage levels on the average than their male counterparts. The average level of scale may have changed somewhat. This is a very complex thing. So that we do not feel that you can automatically compare those two percentage increases without going into the question of what the cost of living index itself represents on the one hand, and what this wage figure represents on the other hand.

Hon. Mr. BURCHILL: You do not take into account the average working man, the day labourer?

Mr. GREENWAY: This is an industrial-average representing all kinds of labour.

Hon. Mr. GOLDING: You take a higher level in respect to that.

Hon. Mr. BURCHILL: I want to emphasize what Senator Aseltine has said about the importance of this study. It has been manifest, I think, in the last few years that your job has become an increasingly more important one for the nation, and therefore it is most essential that the people of all classes should be confident that your figures are correct. As Senator Aseltine pointed out, sometimes on the prairies and down in the Maritimes we hear that these figures are just for Ottawa or Toronto and that they do not reflect the cost

of living in our sections of the nation. We hear these remarks on all sides, so it is most important to convince people that you are correct, and that you have done everything possible to iron out all inaccuracies in every direction in order that people might have complete confidence in the figures published all over the land. I think that is most essential. I have found the discussion here this morning most interesting, and I think it is wonderful what you have done. What about the small towns? Have you taken them into consideration? Are towns and small cities given their due proportion in this index? I presume they are. It must be an extremely difficult matter in a country like Canada, which is in a way a group of nations, to assimilate all these figures and get them into a straight line. I know the enormous task that you have, but have you given every part of the country the proper weight?

Mr. ROWEBOTTOM: First of all, I will agree with you on the difficulty of the problem. We have done the best possible job we can in giving adequate representation to all geographical areas in the country. The farm population constitutes a separate problem for which we have a separate index. So we are concerned with the urban segment of the population. We have an arrangement from Victoria through to Halifax in so far as the weighting elements are concerned. On the price aspect of it, we go from St. John's, Newfoundland to Victoria. The weighting diagram is based on 27 Canadian cities of a population of 30,000 or over as of the 1941 census. So the cutoff on the bottom size of the cities is 30,000 which takes in way and above the larger percentage of the urban population. In addition to the main index, we try to give geographical representation by constructing separate city indexes. For example, we have one for Halifax, St. John's, Newfoundland, St. John, New Brunswick, Toronto, Montreal, Winnipeg, Saskatoon, Vancouver, and so on.

Hon. Mr. ASELTINE: How do you define "urban"?

Mr. ROWEBOTTOM: Those living in cities of a population of 30,000 and over.

Hon. Mr. ASELTINE: That is what I thought. It does not cover the small towns.

Mr. ROWEBOTTOM: No, it does not go down to the five and ten thousand population towns. However, we do a certain amount of analyses in the course of our studies and we have no reason to believe that the price movements are significantly different in the small towns than medium-sized towns.

Hon. Mr. BEAUBIEN: It would not be higher in the small towns.

Mr. ROWEBOTTOM: I would not think so.

Hon. Mr. BURCHILL: You have taken family specimens in various groups of income. I think you start at \$1,650 and go up to \$4,000. Now, naturally the families in those various groups have a different basket. They must be weighted differently. How do you work that out? Do you work various groups and various salary ranges out? A man with a salary of \$4,000 would not have the same basket as a man with a salary of \$1,650, would he?

Mr. ROWEBOTTOM: No, that is correct.

Hon. Mr. BURCHILL: Now, in working out that average you would have to be very careful in the selection, and then there is the average of the number of different groups. Is all that worked out?

Mr. ROWEBOTTOM: Yes, each family income range will have its correct importance or representation in the average of all families.

The CHAIRMAN: In regard to the question that Senator Burchill asked a moment ago, am I correct in assuming that regardless of whether a man's income is \$4,000 or \$1,650 a year, the average you work out is that he spends a certain percentage on his food?

Mr. ROWEBOTTOM: No, that is not quite true. Incidentally, the word income is not quite correctly used here. The word should be expenditure. In other words, he spends \$1,650 a year or \$4,000 a year. Now, a man with \$1,650 will spend his money somewhat differently than the person who is spending \$4,000, but because the person at the lower income end spends his money differently than the person at the higher income end, it does not invalidate the average of a large number of people whose expenditure patterns approximate each other, taking into account differences in size of income and the size of a family and geographical location. In other words, you may have a very tall man and a very short man, but the many people who approximate the average height of Canadians, establish the basic figure.

The CHAIRMAN: I see.

Mr. ROWEBOTTOM: We have excluded the families, of course, those whose expenditure patterns are quite different from the average. That is why we have cut off at \$1,650 and at \$4,000 because, as you move away from the average Canadian whose expenditure is between \$2,000 and \$3,000, the expenditure patterns become different. We do not want to include in our typical families those whose expenditure patterns are extreme. Does that answer your question?

The CHAIRMAN: Yes, that answers it very well. The next question I wish to ask is on this matter of wage rates. I followed Mr. Greenway's statement on that, but could you give us any information on how the wages of, say, unskilled labour—the hourly or weekly wages—compared in 1951 with those in 1949 or whatever year you took?

Mr. GREENWAY: I am sorry, Mr. Chairman, we do not have any separate record for unskilled labour.

Mr. MARSHALL: The Department of Labour, of course, has information on wage rates.

Mr. GREENWAY: I should not say that we do not have any information, but that there are no available earnings averages that will compare through that period of time, pre-war up to the present.

The CHAIRMAN: The question of a farm index was raised by some senators. A farm index is quite different from an urban index?

Mr. GREENWAY: Yes, sir.

The CHAIRMAN: As a matter of fact, there are a few organizations—the western pools, for instance, and the Searle Grain Company—that have worked out a farm index giving a relationship between the cost of the things that farmers have to buy—such as lumber, implements, binder twine, fuel oil and a wide range of other commodities—and the prices that they receive for their commodities. I do not know whether you are familiar with this, Mr. Marshall, but it might be interesting to look into that.

Now, I have one other question. Have you had much criticism, and if so from what source, of the basis on which the old cost of living index was made up?

Mr. MARSHALL: Well, the point of view concerning the old index number, it seems to me, has changed from time to time. When the number was not going up very rapidly there was some complaint that it did not really represent the true state of things and should be going up faster. But in more recent times, when it was rising quite rapidly, we did not hear much criticism of it. The criticisms have varied.

The CHAIRMAN: I recall on a few occasions when labour unions were having discussions with employers about proposed increases in wages, the

employers said "Your wages have increased already more than the cost of living index has increased," and the representatives of the unions replied "Well, the cost of living index is not an accurate measurement."

Mr. MARSHALL: Well, we have had some recommendations lately from certain labour unions that we should not change over to a new index number but that we continue the old one. However, we have been trying to make known to the labour organizations just what we had in mind with this index. We had meetings with various organizations, we explained to them what our plans were, we got their criticisms and suggestions, and all these things have been taken into consideration in making this new index. It was pointed out here by an honourable senator that this is a very important task for us. We fully realize that at the bureau, and we are trying to leave no stone unturned to get all the relevant and helpful advice obtainable concerning the index number, and we are doing our best to let people know just what our aim is. When we do finish the compilation of the index and publish it we shall be putting out a full explanation of how it is made up; what it is meant to cover, and what we have done to ensure that it is as accurate as it can be made.

The CHAIRMAN: When it is finally completed it will be the result, I take it, of an objective analysis of all relevant facts, and not designed to please any particular group here, there or elsewhere?

Mr. MARSHALL: That is correct, sir. This is to be an objective index. We do not pull anything out of the air. There is nothing arbitrary about it. We are trying to base it on an objective analysis of facts and very careful inquiry.

The CHAIRMAN: I take it that we are through with these gentlemen now.

Hon. Mr. REID: No, Mr. Chairman, there are a dozen questions yet. This is one of the most important things coming before us, and there are certain questions I wish to ask. This index affects the whole nation, and I can understand labour objecting to a change from the old index to the new one.

Instead of showing an increase of 89 per cent over the base year, as the old index does, your new index will show an increase of only 20 per cent.

Mr. MARSHALL: Mr. Chairman, may I make myself clear? I did not say that labour was objecting to the creation of this new index. I said, or at least I meant to say, that a small number of individual unions, two or three as I recollect it, wrote recommending that we return the old index. There has been no widespread criticism from the unions, and it would be very wrong to give the impression that labour as a whole is objecting to the change to a new index.

Hon. Mr. REID: I was listening, and I understood you to say that labour would rather that you retained the old index.

Mr. MARSHALL: Well, if I said that I made a wrong statement. We have not had criticism from the whole body of labour, but two or three specific labour unions have written us urging the retention of the old index.

Hon. Mr. REID: In the final analysis, criticism of the cost of living index is criticism of the government, no matter what party is in power. I have always been curious as to whether you have to receive authority from the government before you make a change such as you are making now.

Mr. MARSHALL: Of course, we could not go ahead without taking the matter up with the government.

Hon. Mr. REID: When you were bringing groups together to discuss the proposed new system, why did you not consult the farm groups?

Mr. MARSHALL: They will be consulted. And as a matter of fact we have already consulted the Federation of Agriculture.

Hon. Mr. REID: The record will show that you did not mention that. I have been paying attention to what you said.

Mr. MARSHALL: I overlooked mentioning that we did consult them, and I am sorry for my oversight. As a matter of fact, the list that we gave of the people who have been interviewed is not an exhaustive list, but a more or less representative one.

Hon. Mr. REID: According to a statement published by the Department of Finance there are in this country—I am speaking subject to memory—about one and a half million people earning less than \$1,200 a year. Yet in the new survey, instead of dealing with families with annual incomes of from \$1,200 to \$1,600, you are dealing with families whose incomes averaged from \$1,650 to \$4,050. Surely you cannot get a true picture of consumption if you ignore all the people who earn less than \$1,000 a year. In the part of the country where I live there are many people who have no other income, broadly speaking, than their old age pension. They eat food, buy clothes, pay rent, and so on, yet they are left out of consideration by you. Why is that?

Mr. MARSHALL: We are leaving out agriculture in the meantime.

Hon. Mr. REID: You cannot get a true picture if you segregate people in that way.

Mr. MARSHALL: It is not only the practice in Canada but in other countries as well: The farm population is not included with the urban population. We are not doing anything special there.

Hon. Mr. REID: But I want to know the reason why you dropped out the lower class. Why change it from \$1,650 to \$4,050? There are millions of people who have been left out, whom your survey does not include.

Mr. ROWEBOTTOM: May I comment on your problem, Senator?

Hon. Mr. REID: Yes, I would like to hear what you have to say, but I do not think I will make any impression on you.

Mr. ROWEBOTTOM: I think we have very strong and valid reasons for the decisions that have been made. First of all we are concerned with families; this is our primary consideration. The figure of \$1,200 a year and less would relate to single people, and predominantly single girls—not to family income. We are concerned with family expenditure; in other words those people who pool their income for living purposes. In terms of the numbers of families which we surveyed—as Mr. Marshall has said—the percentage of families excluded by the income cut off at the bottom of \$1,650 is very small. I cannot quote from memory the exact number, but it would be less than 10 per cent. The same applies at the top: You ask, why did we cut it off at the bottom? The next question would be why you cut it off at the top? Why do you not include people with very large incomes running into many thousands of dollars? Why have you excluded single people? Why have you excluded people with a very large family? The reasons for all of these decisions on what the population coverage of the new index should be, relates again to how these people spend their money. Our objective was to find a large population group within the country who spend their money in similar ways; in other words, the population coverage must be homogeneous, if your average is to be meaningful.

Take next the index use, that is of the cost of living index or the consumer price index. It is used to a large extent in wage negotiations and to a considerable extent in wage escalation. To thus apply an index of this type which included the farm population would be an incorrect use of it. The same would apply when we come to use the farm index; as the chairman has said, comparing the price of things which farmers buy with prices of things farmers sell. If you

wish to make that comparison, to include in your index prices and expenditures made by and representing the urban population, would be quite wrong. In other words; you must tie your index to the use to which it will be put; your average is not meaningful if you include in that average any extremes which are very atypical when compared to the average. All of these things were taken into consideration on the decision as to what the population coverage should be for the new index.

Hon. Mr. ASELTINE: Mr. Chairman, I do not see a quorum.

Hon. Mr. REID: Why in the case of increased costs of rents, clothing and food, have you dropped in the new schedule from 62 to 58?

Mr. ROWEBOTTOM: I can only say that because these are the facts as reported to us.

Hon. Mr. REID: Do you mean to tell me that rent has gone down? Do you take into consideration the costs of houses, in computing the rent?

Mr. ROWEBOTTOM: It is related to all other amounts of money which people spend. I say, on the basis of the figures which you have in front of you, that the amount of money, in relation to the total outlay, which people now devote to housing, is less than it was before the war, for the reason that rents have risen less than incomes have risen. It makes sense when you take a look at the movements of the rent index, in relation to the movement of the food index and incomes. People today spend a smaller percentage of their total expenditure on shelter than they did before the war.

Hon. Mr. REID: One last question; I don't want to keep the committee further, but this seems important to me. I preface this question with the observation that it has been said that there is greater competition in food prices and other articles in the United States than in Canada. My question to you is: Do you find much variation in the various prices of the same articles throughout Canada, outside Newfoundland? You must take these things into consideration, and you must have information on them.

Mr. ROWEBOTTOM: Yes.

Hon. Mr. REID: I find in my own province of British Columbia the prices are the same 500 miles away from the city as in the city, but when I go to the United States I find that the prices are more competitive. Do you find much difference in the cost of articles throughout Canada?

Mr. ROWEBOTTOM: May I refer the Senator to the Labour Gazette in which we publish the prices of a fairly large range of articles of food and coal.

Hon. Mr. REID: I will look that up; I am just looking for information.

The Committee adjourned until Wednesday, May 21, 1952 at 11 a.m.

EXHIBIT No. 2

DOMINION COST-OF-LIVING INDEX
(1935-39=100)

YEAR	INDEX
1945	119.5
1946	123.6
1947	135.5
1948	155.0
1949	160.8
1950	166.5
1951	184.5
1950 January 3	161.0
February 1	161.6
March 1	163.7
April 1	164.0
May 1	164.0
June 1	165.4
July 3	167.5
August 1	168.5
September 1	169.8
October 2	170.7
November 1	170.7
December 1	171.1
1951 January 2	172.5
February 1	175.2
March 1	179.7
April 2	181.8
May 1	182.0
June 1	184.1
July 3	187.6
August 1	188.9
September 1	189.8
October 1	190.4
November 1	191.2
December 1	191.1
1952 January 2	191.5
February 1	190.8
March 1	189.1

EXHIBIT No. 3
NATIONAL INCOME AND GROSS NATIONAL PRODUCT, 1939-1951
(millions of dollars)

	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949 ¹	1950 ¹	1951 ¹
Wages, Salaries and Supplementary Labour Income	2,575	2,929	3,575	4,242	4,783	4,940	4,953	5,323	6,221	7,170	7,761	8,271	9,640
Military Pay and Allowances.....	32	193	386	641	910	1,068	1,117	340	83	82	115	137	201
Investment Income.....	917	1,128	1,484	1,761	1,801	1,829	1,859	1,975	2,269	2,464	2,445	3,088	3,655
Net Income of Unincorporated Business:													
Accrued Net Income of Farm Operators from Farm.....	385	492	490	988	805	1,185	1,010	1,112	1,223	1,518	1,504	1,547	2,138
Net Income of Non-farm Unincorporated Business.....	464	521	628	705	744	804	901	1,071	1,189	1,326	1,369	1,512	1,595
NET NATIONAL INCOME AT FACTOR COST.....	4,373	5,263	6,563	8,337	9,043	9,826	9,840	9,821	10,985	12,560	13,194	14,555	17,229
Indirect Taxes Less Subsidies.....	733	830	1,054	1,085	1,117	1,111	1,003	1,269	1,604	1,772	1,830	2,005	2,386
Depreciation Allowances and Similar Business Costs.....	610	720	858	1,002	988	957	928	903	1,118	1,276	1,437	1,607	1,763
Residual Error of Estimate.....	-9	59	42	115	35	60	79	33	61	5	1	-45	-137
GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,707	6,872	8,517	10,529	11,183	11,954	11,850	12,026	13,768	15,613	16,462	18,122	21,241

¹ Includes Newfoundland.

EXHIBIT No. 4
GROSS NATIONAL EXPENDITURE 1939-1951
(millions of dollars)

	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949 ¹	1950 ¹	1951 ¹
Personal Expenditure on Consumer Goods and Services.....	3,904	4,399	5,053	5,514	5,727	6,187	6,811	7,977	9,173	10,112	10,963	11,862	13,062
Government Expenditure on Goods and Services...	735	1,165	1,689	3,726	4,227	5,022	3,704	1,832	1,570	1,798	2,128	2,323	3,120
Gross Domestic Investment:													
New Residential Construction.....	185	200	233	194	174	225	272	371	506	637	742	801	778
New Non-residential Construction.....	166	210	288	354	366	257	252	443	599	818	903	1,026	1,215
New Machinery and Equipment.....	254	407	557	496	305	377	462	584	1,016	1,230	1,323	1,389	1,814
Change in Inventories.....	331	369	247	316	-109	-46	-260	519	947	605	231	1,005	1,650
Exports of Goods and Services ²	1,451	1,808	2,467	2,361	3,444	3,561	3,597	3,210	3,638	4,054	4,011	4,185	5,099
Deduct: Imports of Goods and Services ²	-1,328	-1,629	-1,976	-2,307	-2,917	-3,569	-2,910	-2,878	-3,621	-3,636	-3,837	-4,514	-5,633
Residual Error of Estimate.....	9	-58	-41	-115	-34	-60	-78	-32	-60	-5	-2	+45	+135
Gross National Expenditure at Market Prices.	5,707	6,872	8,517	10,539	11,183	11,954	11,850	12,026	13,768	15,613	16,462	18,122	21,241

¹ Includes Newfoundland.

² Minor adjustments have been made to the figures of current receipts and payments shown in "The Canadian Balance of International Payments, 1949," Dominion Bureau of Statistics, to achieve consistency with the other component series.

EXHIBIT No. 5

THE NEW CONSUMER PRICE INDEX

(Reprinted from the Daily Bulletin, March 14, 1952, For Your Information)

During the latter half of 1951 the Dominion Bureau of Statistics held numerous meetings with groups and organizations to explain and discuss the plans for the revised index which is to be renamed more accurately the Consumer Price Index. The groups and organizations included not only a wide variety of interests but also competent technical opinion. They represented consumers, labour, management, farmers, and professional economists. In addition, it has been possible to discuss the most up-to-date techniques for constructing consumer price indexes with experts of several countries which have highly developed statistical organizations. During the course of these discussions it was decided to use 1949 as a base period and work resulting from this decision will require several months to complete. Therefore, publication will not commence before the summer of 1952, at which time a comprehensive explanation of the index will be issued. The present statement outlines briefly some of the main features which appear to have wide public interest.

Purpose and Title

The main purpose of the revision has been to bring up to date the list of items and quantities included in the index budget and to place the series on a post-war base. Thus there will be no change in the fundamental purpose of the index which is to measure changes in the prices which the consumer pays for goods and services.

While the title, "Cost-of-Living Index", has historically been used to describe indexes which serve this purpose, it has proved confusing, and will therefore be changed to "Consumer Price Index". This change in title is one which is being adopted widely in other countries and is made to clarify the real purpose of the index, that is, to measure changes in prices of a representative basket of goods and services.

Base Period

The post-war period selected as the base for the new index is the calendar year 1949, and the index for that year will be 100. Since prices were higher in 1949 than they were in the period 1935-39, which is the base of the present index and which now equals 100, the new index numbers will be lower, of course, than if they were on the 1935-39 base. This does not mean that prices have risen less; the percentage change in the price level shown by the new index would be the same from month to month whichever base is used.

The Index Budget

In determining the items to be included in the budget it was first necessary to decide what families should be selected from the nation-wide sample of household expenditures collected for the year ending September 1948, and supplemented by four food surveys in October 1948 and March, June and September 1949. The new index has been designed to reflect the experience of families located in 27 cities, each having more than 30,000 population. They ranged in size from two adults to two adults with four children and the annual incomes of these households during the survey year ranged from \$1,650 to \$4,050 with the majority of incomes between \$2,000 and \$3,000.

The income and size limitations were selected to secure a wide coverage within which expenditure patterns could be adequately represented by the same price index. The families have not been restricted to those with wage-earner heads. Actual tests showed that expenditure patterns of households with wage-earner heads were almost identical with those of other urban families within the same size and income ranges. This is not surprising when it is considered that wage-earners and non-wage-earners are found living on the same streets, buying in the same stores, and generally living in the same manner. It was thus possible to include families with all types of income, without making the index less representative of wage-earners.

Although there have been considerable changes between pre-war and post-war purchasing habits, the general pattern of spending has altered surprisingly little. Changes in the classification of items to give more useful group indexes prevent exact comparison of the old and new index patterns, but the degree of similarity can be judged from the following summary table. The new Household Operation group compares roughly with a combination of the two series for Fuel and Light and Homefurnishings and Services. Likewise, the new Other Commodities and Services group contains many of the items listed in the present index under Miscellaneous.

Group Base Weights of New and Old Indexes

<i>Budget Group</i>	<i>New Index</i> per cent	<i>Old Index</i> per cent
Foods	32	31
Clothing	11	12
Shelter	15	19
Household Operation	17	
(Fuel and Light		6)
(Homefurnishings and Services		9)
Other Commodities and Services	25	15
Miscellaneous		23
Total	100	100

Final decisions remain to be made on a few items in the new budget, but in general the changes to be made can now be stated. In total the new index will be calculated from prices of approximately 225 items as compared with the present list of 160. Additions to foods will include a considerable number of fresh fruits and vegetables; and items of children's wear will be added to the clothing index. In addition to rents it is planned to price the principal home-ownership costs if certain technical difficulties can be overcome. Fuel oil will be added and the list of household equipment and services has been expanded. The Other Commodities and Services index will include a number of additional items, in particular, a wider representation for transportation and recreation. Life insurance premiums will be dropped because they include a large element of savings, while the other major element, risk, is related to future rather than current purchasing power measurements.

Joint Publication of the Old and New Series

The substitution of any new statistical series for an old one almost invariably leads to some confusion. Cost-of-Living or Consumer Price Indexes are used for numerous purposes, including the adjustment of wages. It seems advisable, therefore, to make available for some months, both the old series and the new. However, it is not the intention to continue the old series after the end of 1952.

1952

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953

No. 4

WEDNESDAY, MAY 21, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

Mr. R. B. Bryce, Secretary of Treasury Board.

M. S. D. Hemsley, Head of Finance Division, Dept. of External Affairs.

Mr. Jules Leger, Assistant Under-Secretary of State for External Affairs.

APPENDIX "A"

Federal Government Estimates and Expenditures by Major Categories.

APPENDIX "B"

Comparison of Provision in Estimates, 1951-52 and 1952-53, for
Expenditures on Films and Filmstrips.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1952

THE STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

The Honourable Senators:

Aseltine	Fogo	Paterson
Baird	Fraser	Petten
Barbour	Gershaw	Pirie
Beaubien	Golding	Quinn
Bouffard	*Haig	Reid
Buchanan	Hawkins	*Robertson
Burchill	Hayden	Roebuck
Campbell	Horner	Stambaugh
Crerar	Isnor	Taylor
Dupuis	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien (36)
Farris	McDonald	50 Members

(Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 21, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: Crerar, Chairman; Barbour, Beaubien, Euler, Fafard, Golding, Haig, Hawkins, Horner, Isnor, King, McDonald, Reid, Stambaugh, Taylor and Turgeon—16.

Consideration of the order of reference of March 26, 1952, was resumed.

The following were heard:—

Mr. R. B. Bryce, Secretary of Treasury Board.

Mr. S. D. Hemsley, Head of Finance Division, Department of External Affairs.

Mr. Jules Leger, Assistant Under-Secretary of State for External Affairs.

At 1.00 p.m. the Committee adjourned until tomorrow, May 22, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Wednesday, May 21, 1952.

The Standing Committee on Finance, which was authorized to examine the estimates laid before parliament for the fiscal year ending March 31, 1953, met this day at 11 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: At our last meeting Senator Isnor asked for certain information which I understand Mr. Bryce has taken under consideration. Perhaps we can have that information, and once it is disposed of we shall relieve Mr. Bryce this morning and take up the estimates on External Affairs.

Mr. BRYCE: As I recall it there were three questions on which Senator Isnor wished detailed information. One is "Federal Government Estimates and Expenditures distributed by Major Categories". I have this mimeographed and copies can be distributed.

Hon. Mr. HAIG: Let us have one placed on the record.

The CHAIRMAN: Yes, one will be filed as an appendix.

(See Appendix "A" at end of today's report.)

Mr. BRYCE: The second is a "Comparison of Provision in Estimates, 1951-52 and 1952-53, for Expenditures on Films and Films Strips". I have set this out by individual votes, and copies of this can be distributed.

The CHAIRMAN: We shall have that placed on the record also as an appendix.

(See Appendix "B" at end of today's report.)

Mr. BRYCE: The third and more detailed question was for a list of publications, and that is being prepared. It may take a few days more to get it because it involves going to the Queen's Printer and to the various departments. This information is not readily available in our records nor in anyone else's centralized records.

In regard to the distribution by these major categories that Senator Isnor inquired about, for the current year I have put in the distribution as it is in the Main Estimates. I said I would speak to the Minister about the question of distributing his forecast of expenditure. I talked to him about it and he said that his forecast of expenditure overall, which he gave in the budget, is really his own personal forecast. This is made up after he takes into account whether or not he thinks his various colleagues will spend as much as shown in the estimates they have requested. There is a margin for estimating and forecasting in each of the items, which overall he can expect to balance out, but he would prefer me not to try to break it down even in the groups that are here.

Perhaps I should point out that two of the figures shown for 1952-53 may be misleading without a word of explanation. Those are the figures shown for "Contribution to Superannuation Fund" and for "Subsidies to Provinces". The contribution to the Superannuation Fund last year included two special items that were in the final Supplementary Estimates. One was a contribution of \$75 million to make up the deficiency in the reserve. The second contribution of some twenty odd millions was to make up the deficiency caused by the

general increase in salaries that took place at the end of the year. Neither of those appear in this item of \$13 million for the current year.

Hon. Mr. ISNOR: I wanted to ask a question about that. I could not see how in fact you spent roughly speaking \$100 million more last year and the percentage would be the same as shown on your table, namely, 3 per cent.

Mr. BRYCE: I am sorry, senator, but that is .3 per cent.

Hon. Mr. ISNOR: But it is the same.

Mr. BRYCE: Last year it was 3.0, and this year it is 0.3. However, I should indicate that these two figures for the contribution to the Superannuation Fund are not really comparable because last year the figures include the special items. Then, in the line immediately below it, in "Subsidies to Provinces", the Minister explained, as I indicated in the record on my first day's evidence, that the figure for 1952-53 includes for the tax rental agreements only the final payments under the old agreements that expired on March 31. There are payments for one quarter of the year, less certain adjustments, that are payable after the end of March, and that is all that is included in this item of \$32 million, over and above the old statutory subsidies and the Newfoundland transitional grant. So that the payments to the provinces under the new Tax Rental Agreements will have to be added together. Those agreements are not yet all concluded, and the legislation by which parliament would authorize them has not yet been brought down.

Hon. Mr. EULER: Have you any idea of what those will be?

Mr. BRYCE: One cannot tell, sir, until one knows definitely how many provinces are coming in and what provinces are expected. I think I said the other day that the Minister has already indicated that they will be quite substantial, over \$100 million.

Hon. Mr. EULER: It is pretty well known that Quebec and Ontario are not coming in.

Mr. BRYCE: Well, sir, I would not presume to guess on these levels of high policy.

Hon. Mr. EULER: Even if they remained out as before, the item would still be over that of last year?

Mr. BRYCE: Yes.

Hon. Mr. EULER: How much?

Mr. BRYCE: It will depend on whether all the other eight provinces will come in, and on the option they take. My guess is that there will be at least another \$100 million to add here.

The CHAIRMAN: That will have to be provided for in the supplementaries?

Mr. BRYCE: It will be provided as a statutory item under a separate statute. Normally we record in the Main Estimates a forecast of those items provided under statutes, but of course we do not presume to do so where parliament has not yet passed a statute.

Hon. Mr. EULER: So that the total of \$4,335,000 will be substantially increased by reason of that?

Mr. BRYCE: Yes. Thirdly, I should note that in the final item, "General Administration and All Other Items" last year's figure included the \$75 million that the Minister put into the reserve against active assets. That is not in the Main Estimates. It is an item he provides for at the end of the year in making up the accounts for the year.

Hon. Mr. HAIG: Providing there is a surplus. I suggest that to you, but you do not need to answer.

Mr. BRYCE: I think we have provided it now—

Hon. Mr. HAIG: For two years.

Mr. BRYCE: You may be thinking of the Superannuation one, sir.

Hon. Mr. HAIG: I am.

Mr. BRYCE: This is the general reserve against active assets, and there has been some amount provided, I think, for over ten years. Now, how large the item has been over all those ten years I would be only guessing, but it was \$25 million for a number of years and then it went up to \$75 million when we commenced our big foreign lending program.

The CHAIRMAN: That would be a reserve, I take it, against substantial loans that have been made since the end of the war?

Mr. BRYCE: Yes. We have on our balance sheet, as one will note in the Public Accounts, quite a long list of what we call active assets. Those are normally assets which are readily liquidated or are equivalent to cash. For instance, there are our holdings of U.S. dollars, or the advances we make to the Foreign Exchange Control Board to hold U.S. dollars.

Hon. Mr. EULER: That reserve that you are establishing is to provide against realization of a smaller amount for those assets than their face value?

Mr. BRYCE: Yes, sir.

Hon. Mr. HAIG: And it will cover the loss that we shall probably make on the ships seized by the Chinese?

Mr. BRYCE: Well, sir, technically our loss there will be on the implementation of a guarantee. We have shown that as a contingent liability.

Hon. Mr. ISNOR: Would it be fair to say that this year's estimated cost of general administration and all other items—that is, as specified in your item (g), and excluding items (a), (b), (c), (d), (e) and (f)—is down 4·4 per cent from last year?

Mr. BRYCE: No, sir, I do not think so.

Hon. Mr. EULER: There will be supplementaries added to this year's figure?

Hon. Mr. ISNOR: I would like Mr. Bryce to answer my question.

Mr. BRYCE: You are excluding items (a) to (f)?

Hon. Mr. ISNOR: Yes.

Mr. BRYCE: I do not see, sir, how one reaches that conclusion.

Hon. Mr. ISNOR: I have a purpose in framing my question in that way, referring to subheadings (a) to (f), and then asking about (g), the general administration and all other items. Last year, 1951-52, you gave for general administration 16 per cent, and this year you give 11·6 per cent. I arrived at my figure of 4·4 per cent reduction by subtracting one from the other. Now I put this question to you: Can we say that this year, notwithstanding the criticism from certain quarters, the all-over percentage cost of administration is 4·4 per cent less than it was in 1951-52?

Mr. BRYCE: I am afraid not, sir, because these are percentages of different totals. The figure last year was 16 per cent of a total of roughly \$3½ billion, whereas this year it is 11·6 per cent of \$4½ billion.

Hon. Mr. EULER: Is this also true, that the figure of \$588 million that you gave last year included all the supplementaries, whereas supplementaries are still to be added to the \$503 million that you have given for this year? If that is so, that would of course make a difference in your percentage this year.

Mr. BRYCE: Yes, sir, there will be some supplementaries added.

Hon. Mr. EULER: So that the figure of \$503 million for this year does not represent the actual fact, for it does not include the supplementaries?

Mr. BRYCE: That is so, sir.

Hon. Mr. EULER: And when the supplementaries are added your percentage would be substantially altered?

Mr. BRYCE: Yes, sir. The main estimates are intended to include all the items that we can properly foresee at the time. In other words, we do not plan to have supplementary estimates. When tabling the estimates the minister indicated that the vote for the grants to universities was going to be deferred; I think the implication was that there would be an item in the supplementary estimates for those grants. Secondly, there are two or three items that traditionally are only decided upon later. For instance, the subsidy on the freight costs on feed grains is normally provided in the main estimates only up to the end of the crop year, and the government makes a decision some time in the spring or early summer as to whether that will be continued for the new crop year; and if so, that must be added.

Hon. Mr. ISNOR: Mr. Bryce, I do not want to appear stupid, but in business the percentage of administration costs would be figured on the volume of your gross receipts and expenses. Now according to the figures you show here, the general administration costs last year were 16 per cent of the gross expenditures, and this year they are estimated to be only 11.6 per cent. Therefore it seems to me that under that particular heading of general administration there is a saving of 4.4 per cent.

Mr. BRYCE: Yes, sir, in that sense.

Hon. Mr. EULER: But the total estimates for this year are not fairly representative, for supplementaries have to be added to them.

Hon. Mr. EULER: They were not included last year.

Hon. Mr. HAIG: Oh, yes, they were.

Hon. Mr. EULER: All the supplementaries were in that figure of \$588 million last year.

Hon. Mr. ISNOR: Then how are we going to be able to make a fair comparison between 1951-52 and 1952-53? If what Senator Haig and Senator Euler say is correct, these figures do not tell the true story.

Hon. Mr. HAIG: They cannot.

Hon. Mr. EULER: The figure for this year cannot tell the true story, because the supplementaries are not included.

Hon. Mr. ISNOR: Let us try to get some basis on which we can make a comparison.

The CHAIRMAN: I should like to ask Mr. Bryce a question here. Under (b), social security, there is \$902 million. Does that include an item like war veterans' allowances?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: And veterans' pensions?

Mr. BRYCE: As I have pointed out in the footnote, sir, it includes the disability pensions. I did that because in his Budget Speech the minister did so when referring to the total costs of social security. It is open to argument whether certain of these payments to veterans should be properly described as social security, but I did not feel it was really proper to put them into defence. They seem to belong somewhere between the two.

Hon. Mr. EULER: I think we have fairly well established that the figure of 16 per cent of last year cannot be compared with the figure of 11.6 per cent of this year, because last year's totals included the supplementaries and this year's totals do not. Is that also true of all those items for 1952-53, that the supplementaries will have to be added to them? For instance, will supplementary estimates have to be added to the figures for Defence, Social Security and so on—(a), (b), (c), (d), (e) and (f)?

Mr. BRYCE: Well, sir, I cannot say for certain. I think the record has indicated that supplementaries are normally not significant in the case of defence. I say "normally", because in 1950, after the outbreak of the Korean war, they were significant.

Hon. M. ISNOR: Could you tell us on a percentage basis what the supplementaries for last year were?

Mr. BRYCE: I could give you the totals, sir. In 1951-52, last year, the main estimates were \$3,587 million. There were two sets of supplementary estimates. The one in June—I am giving simply a round figure to the nearest million dollars—amounted to \$144 million; and in March the final year-end items amounted to \$202 million. I could give you the figures for the previous year too, if you would like them.

Hon. Mr. ISNOR: No, that is enough. Those figures would not throw out your percentage of general administration costs very much, would they?

Mr. BRYCE: Well, sir, I would not like to give a definite opinion on that without examining it. I think I could say that the social security figure this year, barring new major legislation, can be expected to be fairly firm. The public debt charges are fairly firm. As to the others, the contributions to the Superrannuation Fund and the subsidies to the provinces, I have already explained the nature of the situation there.

Hon. Mr. REID: May I ask a question referring to these figures that you handed in this morning dealing with the National Film Board? Do the estimates reveal a true picture of the gross cost of the board? I notice under the heading of the "National Film Board" the administration, production and distribution of films, etc., are estimated to cost this year \$2,804,131, and the estimated total expenditures on films for all the departments, including that figure, are \$3,475,566. Under the figures of the breakdown you gave us the total of \$10 million includes, I realize, displays, advertising and publicity. When dealing with estimates of the National Film Board of \$2,919,000 one could easily be somewhat confused as to the growth and the development of the Board, because on top of that there is, I presume, the \$3,475,000 odd from other departments, as well as something else. My question is, why could we not reveal to parliament the total amount spent by the National Film Board, since there are ever-increasing amounts from other departments? When dealing with the estimates we do not point out, nor is it drawn to our attention, the huge expenditure on the National Film Board. I think this is an important question.

The CHAIRMAN: It is an important question, but if we open the gate for general discussion like that we might get into all the items of the estimates. That subject might be taken up at another time. Mr. Bryce is this morning dealing with the questions asked of him by Senator Isnor the other day, and I think we should confine our discussion to those questions.

Hon. Mr. EULER: Perhaps I misundertood you, Mr. Bryce. Am I right in assuming that the total estimates for last year were \$3,688,000,000, covering the main estimates, and two supplementaries?

Mr. BRYCE: The total, sir, for last year is the total of the actual expenditures, however authorized, by statute and by estimates of all kinds.

Hon. Mr. EULER: What I am getting at is, am I correct in assuming that \$3,668,000,000, roughly speaking, covers the total estimates, that is the first general estimates and the two supplementaries?

Mr. BRYCE: Yes.

Hon. Mr. EULER: Then what was the first general estimates?

Mr. BRYCE: For last year, sir?

Hon. Mr. EULER: Yes.

Mr. BRYCE: It was \$3,587,000,000.

Hon. Mr. EULER: And what were the two supplementaries?

Mr. BRYCE: \$144 million and \$202 million.

Hon. Mr. EULER: If you add those two together you get a good deal more than \$3,668,000,000.

Mr. BRYCE: You get \$3,932,000,000.

Hon. Mr. GOLDING: What were those supplementaries for?

Hon. Mr. HAWKINS: What was that first estimate again, for the year 1951-52?

Mr. BRYCE: The main estimates and the supplementaries?

Hon. Mr. HAWKINS: The main estimates.

Mr. BRYCE: \$3,587,000,000.

Hon. Mr. EULER: Then you had the two supplementaries?

Mr. BRYCE: Yes.

Hon. Mr. EULER: And, as I say, the total is considerably more than the total you have of \$3,668,000,000?

Mr. BRYCE: Yes.

The CHAIRMAN: We did not spend it all.

Hon. Mr. EULER: That is where the surplus comes in, is it?

The CHAIRMAN: Partially, I would say.

Mr. BRYCE: The largest item, sir, if one looks at it, is for defence; and the defence expenditures did not come up to the total amount provided.

Hon. Mr. ISNOR: That is a difference of \$269 million.

Hon. Mr. EULER: They were not able, or at least they did not spend that amount on defence. Is that the explanation?

Mr. BRYCE: Yes.

The CHAIRMAN: And if we do not spend as much on defence this year we will have a surplus next year.

Hon. Mr. EULER: I know.

Hon. Mr. HAIG: I suggest we hear the other two witnesses, Mr. Chairman.

The CHAIRMAN: Is there anything further on this subject?

Mr. Bryce will get an answer to the third question Senator Isnor raised, and that will be presented to us later.

Mr. BRYCE: Yes; I presume not tomorrow, as I could not have it for tomorrow.

The CHAIRMAN: Very well. We will excuse Mr. Bryce, and thank him for his presence.

Hon. Mr. ISNOR: Just before Mr. Bryce leaves, may we come back to this question later when Mr. Bryce is recalled?

The CHAIRMAN: We can get him back to give the information in answer to your third question, and he can be questioned further on it. You have a clearance, Mr. Bryce.

Hon. Mr. EULER: A reprieve.

The CHAIRMAN: Gentlemen, the Steering Committee in its wisdom decided to pick out a few departments for consideration, arising out of Senator Lambert's suggestion at the previous meeting, that we should sink a few test holes. The first test hole we are sinking is on External Affairs. We have with us this morning Mr. Leger, who is Assistant Under Secretary of State, and Mr. Hemsley, head of the Finance Division of External Affairs. We desire to finish this branch of the inquiry this morning, because we cannot devote

another day to it. We will take the estimates as shown on page 12 of the estimate book, and hurry over the items. There are some important ones and others which are not so important.

Hon. Mr. ISNOR: Mr. Chairman, may I respectfully suggest that when notices are sent out for meetings in the future that they indicate who the witness is likely to be.

The CHAIRMAN: I have tried to indicate that at the end of each meeting, as to who we would have before us at the following meeting. We will see if we can follow your suggestion, but sometimes it would not be easy.

Hon. Mr. ISNOR: It might be helpful in looking at the reports.

The CHAIRMAN: We will have Mr. Hemsley first to deal with the item of salary. That is statutory. Perhaps we do not need to consider that. Vote 85 deals with "Departmental Administration", which shows an increase of \$340,000. Are there any questions on that?

Hon. Mr. GOLDING: Perhaps the witness could give us an explanation of that increase.

Mr. S. D. HEMSLEY, Head of Finance Division, External Affairs: Yes, sir. The increase of \$340,000 in Departmental Administration is accounted for largely by three items; the main one is an increase of \$238,000 in salaries, and of that amount of salaries \$128,000 is accounted for as a result of general salary increases granted as from the 1st of December last.

Hon. Mr. GOLDING: How much of the amount is attributable to the general increase?

Mr. HEMSLEY: \$128,000.

Hon. Mr. EULER: Is that for additional employees?

Mr. HEMSLEY: No, that is the general salary percentage increases granted. The second item is a \$27,000 increase for the carriage of our diplomatic mail both from Canada and from our posts abroad. That really results from an increased tempo of our business. And the third item of around \$25,000 is for the production of a small pamphlet for distribution abroad called *The Canadian Leaflet*. It will take the place of a rather more expensive publication that was being put out two or three years ago called *Canada From Sea to Sea*. We have had requests from persons abroad for information about Canada, and it was decided to produce a simple booklet. It will cost, I think, around two cents a copy and is for wide distribution abroad.

The CHAIRMAN: Are there any further questions on that item?

Hon. Mr. HAIG: Pass.

The CHAIRMAN: "Passport Office Administration." I think perhaps that is self-explanatory. There is a small increase there of \$28,000, but I presume more passports are being issued.

Mr. HEMSLEY: Yes, sir. We are making plans this year for an extra 10,000 passports. That is an increase from the provision last year of 60,000. We are providing this year for 70,000 at somewhat increased cost of production. There is an item in there of around \$7,000. That item will ultimately drop out. It is for the microfilming of our passport office records. At the moment they are stored in the basement of a church, and it is a very cumbersome, insecure way of keeping them. So we have adopted the microfilm system. A small amount is in there to carry on that work.

The CHAIRMAN: You get revenue from this?

Mr. HEMSLEY: We get revenue from the passport? Yes.

The CHAIRMAN: How does the revenue compare with the cost?—A. The revenue is—

Hon. Mr. EULER: Five dollars per passport, is it not?

Mr. HEMSLEY: Yes. A Canadian passport is \$5 for five years, and can be extended for a further five years for \$2.

Hon. Mr. HORNER: Does not that cover the cost?

Mr. HEMSLEY: Oh, yes. The total consular revenue for 1951, the last fiscal year, was \$343,813.03; so that is more than the appropriation for this office.

The CHAIRMAN: Very satisfactory. Then, item 87, "Representation Abroad": that has increased, roughly, \$300,000.

Mr. HEMSLEY: The main increase in the representation abroad vote stems really from two main considerations. (This is the operational costs of our representation abroad.) We have an increase in salaries, and, of course, in allowances which come from the increase in cost of living abroad. We were warned by the Bureau of Statistics to make possibly between 5 and 10 per cent increase in costs of operation abroad. There is one item of around \$64,000 for security measures in our posts abroad, a provision of safes for some thirty offices; these are expensive security devices, and the freighting of them to the posts is expensive; but that accounts for a further \$64,000.

Hon. Mr. EULER: Do you pay the ambassadors all the same salary?

Mr. HEMSLEY: No, sir. They will vary in salary from—I think the range is eight to fifteen thousand dollars.

Hon. Mr. EULER: And then, expenses beyond that?

Mr. HEMSLEY: They have allowances for representation.

Hon. Mr. EULER: Take one example, say our ambassador to France: what would his salary be and what would his expense allowance be?

Mr. HEMSLEY: The ambassador to France. His salary is \$10,000. And his allowances—and in these allowances, of course, is the weighting which must be given for the high cost of living in Paris, where the index is 160, compared with Washington 100,—his allowances work out at \$25,500.

Hon. Mr. LAMBERT: That is in Canadian dollars?

Mr. HEMSLEY: That is in Canadian dollars; and the calculations are based upon the consideration that, including the salary, the ambassador in France would probably need \$24,000 to operate the Paris embassy from a representational point of view if the costs there were the same as costs in Canada.

Hon. Mr. EULER: Does he pay income tax?

Mr. HEMSLEY: He pays income tax on his salary, not on his allowances.

Hon. Mr. HOWDEN: What would be the average run of these allowances?

Mr. HEMSLEY: I have the allowances for all our posts.

Hon. Mr. HAIG: What about the United Kingdom?

Mr. HEMSLEY: The United Kingdom. The High Commissioner's salary is \$12,000, and his allowances, \$21,000. That is based upon a total remuneration (as opposed to Paris of \$24,000) of \$30,000 by Canadian standards; and when you apply the London cost of living, which is 107, considerably less than Paris, his allowances amount to \$21,000.

Hon. Mr. HOWDEN: These two are pretty nearly parallel. Give us some that are on quite a different scale.

Mr. HEMSLEY: Small ones?

Hon. Mr. HAIG: Norway.

Hon. Mr. LAMBERT: Take Washington.

Mr. HEMSLEY: Norway was asked. The Ambassador receives a salary of \$8,000 and \$10,400 in allowances. That is based upon a total basic remuneration, including salary, of \$15,500 by Canadian standards, with a cost-of-living index of 118. It is in between London and Paris.

Hon. Mr. BARBOUR: What is your figure for Czechoslovakia?

Mr. HEMSLEY: We have not an ambassador there; so that I have not the post worked out on the basis of remuneration. But for—

Hon. Mr. KING: You have an officer there?

Mr. HEMSLEY: Yes, we have a chargé d'affaires in Prague.

Hon. Mr. HORNER: What about Russia? Have we any property there?

Mr. HEMSLEY: We, of course, occupy property, but we do not own anything. You cannot own property there at all. Certain properties are placed at our disposal on a rental basis, both for living in and for the work both of ourselves and of the military attachés.

Hon. Mr. HORNER: What is the cost of keeping up the Russian—

Mr. HEMSLEY: The total Mission in Russia? We are providing in the estimates this year \$259,764. Last year we spent \$244,817. Of course you must recollect that in this there is a rather unrealistic four-to-one rate for the ruble; so that our ruble costs in Russia are considerably magnified in terms of the Canadian dollar.

Hon. Mr. EULER: Have you any check on these expenditures made by these embassies or ministers?

Mr. HEMSLEY: Well, yes. In the first place there is quite a large check in Canada, in that all but about \$400,000 worth of the money that is appropriated for representation abroad is subject to headquarters' authorization. Your salaries, your allowances, the rentals of properties abroad—these are all controlled within the Department or by Treasury Board in Ottawa.

Hon. Mr. EULER: Maybe it is a small matter, but, for instance in France—and I am not selecting for France any other reason whatever except as an illustration—there is a provision of something like \$25,000 for entertainment expenses and so on. Do they have to supply vouchers for that?

Mr. HEMSLEY: Not for the entertainment, sir, no. The ambassador reports—I speak subject to correction on this—at periodical intervals on the amount of representation that his people are doing; but there is no check in the sense that for all representation done vouchers have to be provided.

Hon. Mr. EULER: That \$25,000 is pretty much left to the discretion of the Minister, is it not?

Mr. HEMSLEY: Yes.

Hon. Mr. EULER: There is no particular checkup on it?

Mr. HEMSLEY: No, not after the allowance has been approved.

Hon. Mr. HAIG: There is no checkup with respect to the entertainment policy that is being adopted in all these places, is there?

Mr. HEMSLEY: Yes, there is an investigation being made into it, and there has been an investigation in the past on the assessment of various missions from the representation point of view, in order to set the basic allowance. The basic allowance would be the amount which we would feel post "A" or post "B" or post "C" would need to properly carry out their work. These are reviewed from time to time, having relation to the changing circumstances in the country. Based on this inquiry steps are made to reduce the allowances if that is deemed necessary. On the other hand, for some of our other posts where representation is considered to be of rather more importance than we might consider it here, there is an added amount allowed in order to meet the payments required by the people in those posts.

Hon. Mr. HAIG: Who decides the policy of spending, roughly speaking, \$244,000 in Russia?

Mr. HEMSLEY: That would be a ministerial decision. It is a ministerial decision to have a post there; and if the Minister and Under-Secretary decide

that you need three of four offices in that country, then the rest follows more or less naturally. You have to meet the costs of rent, repair, salaries, telephone, and so on.

Hon. Mr. HAIG: Is there only the mission in Moscow, or are there other missions in Russia?

Mr. HEMSLEY: There is just the one mission in Russia, and that is in Moscow.

Hon. Mr. LAMBERT: Does the Treasury Board check this item in Russia? I am referring to the expenses of operating in Russia?

Mr. HEMSLEY: Not the Treasury Board. We get the monthly accounts from the mission in Moscow.

Hon. Mr. EULER: But no vouchers?

Mr. HEMSLEY: Oh, yes, except for the work a man does personally in cultivating the people.

Hon. Mr. EULER: That would be substantial?

Mr. HEMSLEY: Oh, yes, but all other expenses they are supported by vouchers, and they come to us each month at headquarters where they are scrutinized.

Hon. Mr. EULER: What amount is not subject to vouchers?

Mr. HEMSLEY: About the only one is the allowance granted for representation.

Hon. Mr. EULER: How much is that?

The CHAIRMAN: I think that—

Hon. Mr. HAIG: This is important. I am dead opposed to all this Iron Curtain representation. It is an outrage to spend all this money in an Iron Curtain Country when it cannot possibly do any good.

Hon. Mr. LAMBERT: While Mr. Hemsley is looking up the answer for Senator Euler may I ask a question? That item of \$244,000 which is expended in Moscow would include rental, would it not?

Mr. HEMSLEY: Yes, that is the complete operating cost of the mission.

Hon. Mr. LAMBERT: Rental does not amount to much. I received a statement last year from Mr. Heeney on the amounts paid for leasing property in the form of rent in the various places where we actually have property. In the USSR the amount was \$10,700 for the combined chancellory and residence. In addition to that you would have the salaries of the representatives who are there. I suppose that is all there is.

Mr. HEMSLEY: I have the breakdown for the Moscow mission. The rental item that you are mentioning is in Canadian dollars, and it is payable in rubles at four to the U.S. dollar. The amount in Canadian dollars is \$31,500.

Hon. Mr. LAMBERT: That is more than it was last year.

Hon. Mr. EULER: How much of the expenditure in Moscow is not subject to the voucher system of checking? I think you were looking that up for me.

Mr. HEMSLEY: Yes. I would say the only item in there which is not subject to the voucher is the living and representation element, which is \$12,394. We have a certain voucher check on the other allowance, provision, which we call "Exchange Compensation". We have the choice in Moscow of doing two things. Because of this value on the ruble of four to the dollar—and they all have ruble expenditures there—we would either have to give them very large dollar allowances in order to meet their living costs and limited representation costs in Moscow, or we could give them what we call "Exchange Compensation". This is the system which we have adopted. In other words, we bonus their rubles. We permit them to buy rubles from the department at the rate of 25

rubles to the dollar instead of four, and we assume the difference. There is a control; naturally a man cannot buy a limitless amount of bonused rubles. We set a ceiling which is based upon his family responsibilities of living, and we permit him to draw up to that ceiling in bonused rubles. We have an item of \$76,000 to permit this system of bonus ruble purchasing.

Hon. Mr. EULER: And apart from that there is the \$12,000?

Mr. HEMSLEY: Yes, which is the straight Canadian allowance paid to them.

Hon. Mr. EULER: There is no embassy there, is there? ..

Mr. HEMSLEY: No, It is in charge of a chargé d'affaires who is Mr. Ford.

Hon. Mr. LAMBERT: He is the son of Mr. Arthur Ford of the London *Free Press*, and he is a very distinguished gentleman.

Hon. Mr. HORNER: What about the property we built in China. Is that confiscated?

Mr. HEMSLEY: There is a property in Nanking. We have a caretaking staff looking after that property.

Hon. Mr. KING: What is the size of our staff in the USSR?

Mr. HEMSLEY: Sixteen.

Hon. Mr. LAMBERT: Regardless of the amounts which are expended by our representatives in these so-called Iron Curtain countries—the USSR and her satellites—we should remember that to cut them out altogether is equivalent to severing our diplomatic relations with those countries. So long as we are in a stage of negotiating for peace of the world, even though it may seem out of place to have these missions, I think we have got to maintain them. Once we are in this system we have to observe the rules of that system. If the Russians were to close up their embassy in Ottawa here, we would regard it as an act of unfriendliness on their part, and I have no doubt they would have the same feeling towards us if we abandoned our missions over there.

Hon. Mr. HAIG: There is no embassy in China and I do not see any difference between China and Russia. What other iron curtain countries are we represented in?

Mr. HEMSLEY: Czechoslovakia and Poland.

Hon. Mr. QUINN: What about Roumania?

Mr. HEMSLEY: No, sir. Czechoslovakia and Poland are the only ones.

Hon. Mr. LAMBERT: Yugoslavia?

Hon. Mr. HAIG: That is not an iron curtain country.

Hon. Mr. LAMBERT: But it is a communist country, which has been playing ball with Stalin.

Hon. Mr. HAIG: Most Canadians believe we have a chance with Yugoslavia, but not with the other two countries.

Hon. Mr. EULER: Are all the members of the staff at, say, Moscow, Canadians?

Mr. HEMSLEY: Yes, all the office staff are, apart from possibly a translator.

Hon. Mr. EULER: Are they paid salaries plus allowances?

Mr. HEMSLEY: Yes, sir. There would be some locally-engaged staff on duties around the compound, but the office work is looked after by Canadians.

Hon. Mr. HOWDEN: The household servants would likely be Russians?

Mr. HEMSLEY: Yes, sir.

Hon. Mr. QUINN: You say the translator may not be a Canadian. Do all our staff members there not speak Russian?

Mr. HEMSLEY: No, sir. Mr. Ford does, and the others are taking instruction in the language. I think Mr. Ford is probably the only one who speaks Russian.

The CHAIRMAN: Are there any other questions?

Hon. Mr. LAMBERT: Yes, Mr. Chairman, if I may have an opportunity to ask some. Mr. Heeney told us last year, according to a note that I made at the time, that the properties owned by Canada abroad were valued at roughly \$4½ million, and in addition we leased properties on which the rental amounted to \$280,000. I estimated that that annual rental would represent conservatively a further capital value of about \$9 million, so that the Department of External Affairs has abroad a capital value of about \$13½ million in property. I mention this because I think an analysis would be interesting from the point of view of possible increases. The other day when Mr. Bryce was discussing a phase of this question he intimated that the financing of a new establishment in Paris under NATO would fall to the lot of the External Affairs Department, not the Department of Finance, and he said that the estimates were not clearly defined yet; in other words, that you were scrambling around for some way of covering that estimate. Now I would like to ask you first whether it will be a leased property or an owned property that our NATO representatives will occupy in Paris?

Mr. HEMSLEY: I speak subject to correction on this, but I think the ultimate idea is to place the NATO delegation in the same building with the Embassy, that is in the new Chancery Building that we have acquired and are renovating now in Paris.

Hon. Mr. LAMBERT: That is not ready yet?

Mr. HEMSLEY: No. I understand that at the moment temporary space is being provided on a rental basis for the Canadian NATO delegation, as for others, in the Palais de Chaillot.

Hon. Mr. LAMBERT: Have you an estimate of the costs for NATO this year?

Mr. HEMSLEY: One of the Assistant Under Secretaries told a committee of the other house that the cost would probably run somewhere between \$125,000 and \$150,000. That includes salaries, the cost of running the place, rentals and everything else.

Hon. Mr. LAMBERT: That would include rentals?

Mr. HEMSLEY: Yes, sir.

Hon. Mr. LAMBERT: A new embassy property has been purchased?

Mr. HEMSLEY: Yes, sir.

Hon. Mr. LAMBERT: And is now in process of being made ready for our embassy?

Mr. HEMSLEY: Yes, sir.

Hon. Mr. LAMBERT: What was the cost of that property?

Mr. HEMSLEY: The residence, as distinct from the new office building?

Hon. Mr. LAMBERT: I would like the cost of the whole thing, the office and the residence, in Paris, apart altogether from NATO.

Mr. HEMSLEY: I should preface my remarks on this by saying that these expenditures are from blocked French francs. They of course can only be used within France for certain specified purposes, and are deteriorating in value day by day. We have taken the policy, which is supported by the Department of Finance, that it is a good thing to have an asset that moves with inflation.

Hon. Mr. LAMBERT: What is the figure in Canadian dollars?

Mr. HEMSLEY: In the estimates this year we are providing a figure of \$180,000 for renovation of the residence, and \$175,000 for furnishing it. The figures are purely an estimate, for the furnishing program has not been finalized yet. Then there is \$450,000 for Chancery renovations. That is the office building that will be redesigned, and will, of course, be used by not only ourselves but by Trade and Commerce and other departments in Paris.

Hon. Mr. LAMBERT: And also by our NATO representatives?

Mr. HEMSLEY: Yes, we hope so. And the necessary furnishings of the Chancery are estimated to cost around \$75,000. So the total of the estimates at Paris is about \$880,000.

The CHAIRMAN: Under what vote is that shown?

Mr. HEMSLEY: Under the blocked vote 89.

Hon. Mr. LAMBERT: As I figure it, the cost of leasing the property was about \$8,500 a year.

Hon. Mr. EULER: But these expenditures for furnishings, renovations, and so on, will not be annual expenditures.

Hon. Mr. LAMBERT: No, but there will be the interest on the money.

Hon. Mr. EULER: Upon what basis is it that we have an embassy in one country, a ministry in another and a chargé d'affaires in still another? It does not seem to be according to the size of the country; for instance we have an ambassador in Cuba, a small country, and yet we do not have one in Russia or some other countries. Is there any system upon which this is laid out?

Mr. LEGER: Mr. Chairman, I may try to answer that question. It is a matter of government policy. The explanation is that if it were practicable it would be advantageous to uniformize and have only embassies all over the world; but that is not possible. In those countries where, for political or other reasons, we do not want to have a full-fledged Head of mission, we send a chargé d'affaires; such is the case in iron curtain countries, and they in turn send us chargés d'affaires instead of ambassadors. As to the distinction between ambassador and minister, it is of such a minute character that it is really immaterial.

Hon. Mr. HAIG: I suggest, Mr. Chairman, that we get on with some of these other items.

Hon. Mr. LAMBERT: May I proceed further to bring out a little more information along this line? The old chancery in Washington was purchased in June, 1927, for \$475,000. The ambassador's residence was purchased in May, 1948, at a cost for lands and buildings of \$305,280, and the main furnishings for this residence were transferred from the chancery at a cost of about \$6,000. That would just about equal the amount that is being spent in a capital way in Paris now; it is really not quite so much. I would imagine that you have spent on furnishings a good deal more than \$5,777 that was given to you last year?

Mr. HEMSLEY: In Washington?

Hon. Mr. LAMBERT: Yes.

Mr. HEMSLEY: Yes. The residence furnishings, I see listed here on our statement of capital assets, show as \$20,566.

Hon. Mr. LAMBERT: In connection with these new buildings and furnishings, you have in your department architectural advice, attempting to give some uniformity to decorations and furniture that go into the embassies, to make them as emblematic as possible of Canada. Is Mr. Monette still acting in that capacity?

Mr. LEGER: Yes; we are attempting to do that from both ends. We have Mr. Monette, who has an office in Paris, because that is the centre where our block funds are, and also the major projects that we are undertaking are in

France, Holland and Italy. From our end, External Affairs has a committee of furnishings and decorations which supervises those projects that come to us both through Mr. Monette, from an architectural point of view, and through those firms of interior decoration who have been asked to tender contracts for the establishments that we want decorated or furnished. That committee does not meet very often, perhaps three or four times a year, as projects come up. Eventually, we come to a decision and we submit it to the Treasury Board.

Hon. Mr. LAMBERT: The amount of the expenditures for furnishings of the residences are of course passed by the Treasury Board, are they not?

Mr. LEGER: Yes, sir.

Hon. Mr. LAMBERT: That is all.

The CHAIRMAN: Shall we pass on to the next item, No. 88: "Representation Abroad—Construction, Acquisition or Improvement of Buildings, Works, Land, New Equipment and Furnishings", \$312,000 odd.

Hon. Mr. EULER: We have already been talking about that item.

Hon. Mr. HAIG: We have pretty well covered it.

The CHAIRMAN: Shall we pass it?

Hon. Mr. HAIG: Pass.

Hon. Mr. EULER: Unless it means something new, which we have not been discussing.

Mr. HEMSLEY: No; this is a capital expenditure vote for buildings abroad. It happens to be the Canadian dollar expenditure.

The CHAIRMAN: What we have been discussing is, I think, Votes 88 and 89.

Hon. Mr. LAMBERT: I have discussed only two places, Paris and the United States. This may represent some others.

The CHAIRMAN: Shall we pass to No. 89? I have a question to ask Mr. Hemsley. The total amount of this item is \$1,654,000, and the rather lengthy explanation is that this will be the equivalent of convertible currencies abroad which we use for External Affairs purposes; that is, the government comes into possession of francs, guilders or lira, or some other currency, which it feels it cannot or is unable to exchange into Canadian dollars, and consequently it expends the equivalent of \$1,654,000. Am I correct in that?

Mr. HEMSLEY: Yes, sir.

The CHAIRMAN: Can you tell us, Mr. Hemsley, what is the amount of these foreign currencies that we have spent over the past four years?

Mr. HEMSLEY: On capital account?

The CHAIRMAN: Under this item. We have had similar items every year in our estimates.

Hon. Mr. LAMBERT: That is, through the External Affairs Department.

Mr. HEMSLEY: In 1948-49 we used a total of—and I will give you the approximate figure—

The CHAIRMAN: Yes, round numbers.

Mr. HEMSLEY: —of \$203,000. In 1949-50 we used \$330,000; in 1950-51, the figure is \$357,000; in 1951-52—and these are not the final figures, because all the accounts have not yet been finalized—we used \$518,902. I have the grand total of all that,—\$1,411,021.16.

The CHAIRMAN: That is exclusive of this year?

Mr. HEMSLEY: Yes, sir.

The CHAIRMAN: We have \$1,654,000 this year, making a grand total of roughly, how much?

Mr. HEMSLEY: About \$3 million.

The CHAIRMAN: It will be over \$3 million. That is to say, more than \$3 million worth of foreign currency, in the past four years, has been utilized to buy furnishings and refurbish buildings. Would that be correct?

Mr. HEMSLEY: Yes, sir.

Hon. Mr. LAMBERT: How many countries are represented in that \$3 million, mainly France?

Mr. HEMSLEY: Denmark, The Netherlands, Italy, France, Germany, Greece, Sweden and certain minor items for the United Kingdom; and also India and Yugoslavia.

Hon. Mr. HORNER: And Pakistan?

Mr. HEMSLEY: Not Pakistan.

Hon. Mr. EULER: Why is there such a big increase for this year?

Mr. HEMSLEY: It is just that there are three projects ripe for development: The chancery building in the Hague, the embassy residence and chancery in Paris, and the embassy residence and chancery in Italy; and it has been considered good policy, we think, to use these funds for acquiring fixed assets.

Hon. Mr. HAIG: Where did the money come from that was blocked?

Mr. HEMSLEY: These were military relief credits in foreign countries.

Hon. Mr. HAIG: It did not represent money that we loaned them and that they did not pay us back?

Mr. HEMSLEY: No, sir. I would have to look that up.

Hon. Mr. LAMBERT: Just bearing on that question: at the end of the war there were certain credits given by the Department of Finance to France, to the Netherlands and some of these other countries, Italy too, with the idea that these credits would help to re-establish these countries in such a way that trade with us would be revived. I am just assuming—I think I am right—that some of that credit was blocked and used for these purposes.

Hon. Mr. HAIG: I would like to know this: that would account for us giving them money?

Hon. Mr. LAMBERT: But they have to pay it back by trade.

Hon. Mr. HAIG: We made a loan to France; we made loans to Belgium and Holland and all these countries about eight years ago. I objected to it at the time. I said we would never get it back. Is that money that is tied up here in these blocks?

Mr. HEMSLEY: With the Chairman's permission: we have here an expert, Mr. Bryce, who knows the source. I think these were related to our war operations in these countries.

Hon. Mr. HAIG: We owed them money?

Mr. HEMSLEY: No, they owed us money, for services supplied by Canada during the war in these various countries.

The CHAIRMAN: Am I stating it right, Senator Haig? What you want to know is the origin of the blocked currencies from which we have spent in this way three million-odd dollars in the last four years?

Hon. Mr. HAIG: Correct.

The CHAIRMAN: Can you give us that information, Mr. Bryce?

Mr. BRYCE: In general terms, yes. The bulk of it arose from the civil assistance operations carried on by the allied armies during the period of liberation of the various western European countries. There was a combined operation in which the Americans and ourselves and the British supplied various goods for the relief of the people in France and in Holland and in Belgium and in Italy and Greece and so on. When the food and clothing and such were

distributed, the governments of those countries were told that they would ultimately be expected to make some settlement for that. It was not a contractual relationship. This was the practical and quickest way of getting to these people and these countries the food and clothing they required.

Hon. Mr. EULER: How much credit have we still left?

Mr. BRYCE: We have got a good many million dollars in France.

Hon. Mr. EULER: Would you venture to say how many?

Mr. BRYCE: The actual equivalent at March 1952, that is a month and a half ago, the actual amounts in figures, all told, in Canadian dollars is equivalent to \$1,800,000. The amounts that are available that we can ask to have deposited to our credit, most of which are in France, are \$7,190,000. I should add that while I have described the main sources, there are several subsidiary sources of these funds as well. Some small amounts, for example, of Japanese yen were obtained in the way of reparations, German assets in Japan and such. Then in the case of the Netherlands we had a rather complicated settlement which included not only these claims arising out of the military relief arrangements, but also certain Netherland currencies that we had acquired from the operations of the Army in the Netherlands, some of it acquired through the *quasi* or partially-legal operations of our troops, some of it acquired in other forms. Finally, we had in the Netherlands settlements with them for goods that we turned over to them when our Army left the Netherlands, rather than bring it home. So the Netherlands settlement was a very complicated one. I think it was reported in detail to parliament several years ago. But broadly speaking that is the nature of the sources. They do not represent any moneys we had loaned to those countries, but rather claims arising out of operations at the end of the war.

Hon. Mr. LAMBERT: Would you describe that as unsettled balances arising out of demobilization expenses?

Mr. BRYCE: Not so much demobilization, sir, but the operations at the end of the war.

Hon. Mr. HAIG: How do the loans stand? Do you know anything about the loans we made to these people?

Mr. BRYCE: The European ones stand pretty well, I think. I hesitate to speak from memory in all cases. I think it has been indicated that we have had some difficulties in regard to the loans to China.

Hon. Mr. EULER: If I remember correctly. We loaned to France about \$200 millions. Have they repaid any of it?

Mr. BRYCE: Oh, yes, sir.

Hon. Mr. LAMBERT: The idea of that was to revive our imports from France?

Mr. BRYCE: Yes.

Hon. Mr. LAMBERT: They have increased?

Mr. BRYCE: Yes.

Hon. Mr. ISNOR: Just before you leave that. You sent a representative from the Finance Department overseas about three years ago in reference to these items?

Mr. BRYCE: Yes, sir. Part of them were settled by the External Affairs officers on the spot, together with Mr. Sinclair, the Parliamentary Assistant.

Hon. Mr. ISNOR: And you looked upon them at that time as assets? Is that right?

Mr. BRYCE: Well, "claims" was the word we used, because we knew they had to be negotiated.

Hon. Mr. ISNOR: So actually External Affairs are now using up assets rightly credited to Canada?

Mr. BRYCE: Yes.

Hon. Mr. ISNOR: And they are using up more this year than the entire proceeds of the last four years?

Mr. HEMSLEY: Yes, that is right, sir.

Hon. Mr. EULER: Do you think it is good policy to make these into capital assets in these countries?

Hon. Mr. HAIG: I agree with that.

Mr. BRYCE: That has been the policy of the Treasury Board in approving the proposals of External Affairs for these expenditures.

Hon. Mr. HORNER: You speak of blocked currencies. How is our equity being affected by currency changes in various countries—France, for instance? Is our equity being reduced or enhanced by any position of the franc or other moneys? Is there a depreciation or an appreciation of our credit as a result of this blocked currency?

Mr. BRYCE: The credits would depreciate in value. That is why we want to get them into fixed assets.

Hon. Mr. HORNER: Before they disappear entirely.

The CHAIRMAN: We are here, I think, on a very important point. Mr. Bryce, these balances of blocked currencies from which these expenditures that have been made arose, not through military operations but through assistance we gave these various countries and which they felt under an obligation to repay to us: is that correct?

Mr. BRYCE: Yes; they recognized an obligation.

The CHAIRMAN: These blocked currencies then arose in Dutch guilders or Belgian francs or French francs or Italian currency or even in pounds, shillings and pence in Britain?

Mr. BRYCE: No sterling, sir.

The CHAIRMAN: Very good! Then we have these and we apparently assumed that we could not collect them in the future.

Mr. BRYCE: In negotiating a settlement—

The CHAIRMAN: Here was this—

Hon. Mr. HAIG: Let the witness answer.

The CHAIRMAN: Here was this very considerable volume of blocked currencies lying to our credit in these various countries, and then we said, "Well, we will utilize those to provide estimates for External Affairs in European capitals and because we may not be able to collect them in the future and because the value of these currencies may be depreciating, this will justify us in incurring rather heavy expenditures for buildings and furnishings and equipment and so forth". Would that be a fair inference?

Mr. BRYCE: Yes, with one qualification. Some of the amounts are payable to us as we require them in the local equivalent of so many dollars. Therefore, the whole of our claim is not defined in terms of, let us say, francs. The actual accounts are rather complicated and I hesitate to speak from memory about them.

The CHAIRMAN: One other question. Take in the case of French francs. We have to maintain our establishment abroad and pay the salaries of our staff in the embassy in France and in NATO. We must pay their fuel and all the other incidental expenses connected with their operation. Could these blocked francs not have been used for this purpose rather than putting them into expensive buildings?

Mr. BRYCE: I understand some of them are being used for that purpose.

The CHAIRMAN: Could they not all have been used for that purpose?

Mr. BRYCE: Our expenditures in the embassies are not large enough to absorb them rapidly. The use of blocked currencies for operational expenses was given to the Standing Committee of the House of Commons on External Affairs, and it is set forth on page 80 of their *Minutes of Proceedings*. Broadly speaking, the most important one is the case of France, where the use for operational purposes in 1950-51, which was the latest completed year, was \$158,000. We had in France the equivalent of some \$6 million or \$7 million available, so you will see that we would use them up very slowly for purely operational purposes there.

Hon. Mr. EULER: I referred a moment ago to the list of European countries including Great Britain, and the amount was something like \$600 million, and \$200 million went to France. Am I right?

Mr. BRYCE: Yes, something like that.

Hon. Mr. EULER: Are you carrying that on as an asset on that basis or are you writing some of it off as the franc depreciates?

Mr. BRYCE: The loans are all denominated in Canadian dollars. We actually put on our books the full amount less certain requirements, and then we set up the reserve against all our active assets, and not against specific ones.

Hon. Mr. EULER: Could you say how much has been paid of this loan?

Mr. BRYCE: I am sorry but I cannot say. However, the amounts of the repayments are set forth in the Public Accounts.

Hon. Mr. HAIG: My dollar today is worth only 50 cents compared to what it was ten years ago. I presume the franc has gone down the same way.

Mr. BRYCE: Some part of this we can draw in francs at the current rate of exchange, but even so, as time goes on, we are losing in value.

Hon. Mr. LAMBERT: I suppose it might also be presumed that we are buying property over there at a low state of the market?

Mr. BRYCE: Far be it from me to judge the Paris real estate market.

Some Hon. SENATORS: Oh, oh.

The CHAIRMAN: Shall we pass on to the next item?

Some Hon. SENATORS: Yes.

The CHAIRMAN: The next item is Vote 90: "To provide for official hospitality".

Hon. Mr. HAIG: Who spends that money?

The CHAIRMAN: External Affairs. For instance, when Queen Juliana was here they gave her a state dinner, and that was charged to this fund.

Hon. Mr. HAIG: Pass that. That is sensible.

The CHAIRMAN: The next is Vote 91: "To provide for relief of distressed Canadian citizens abroad and for the reimbursement of the United Kingdom for relief expenditures incurred by Its Diplomatic and Consular Posts on Canadian account". That is only \$15,000.

Some Hon. SENATORS: Pass.

The CHAIRMAN: The next item is Vote 92: "Canadian Representation at International Conferences". The amount here is \$225,000.

Hon. Mr. HOWDEN: That is a different matter.

Hon. Mr. HAIG: Tell us what this covers.

The CHAIRMAN: From Vote 92 down to Vote 108 are to be found expenditures of that kind, and they run into considerable sums of money.

Hon. Mr. EULER: Let us find out about this big one.

The CHAIRMAN: It is, "Canadian representation at International Conferences". Would you give us a word of explanation about that, Mr. Hemsley?

Mr. HEMSLEY: This vote may be broken down into four primary items of expenditure. The first one is travel, and that is the estimated cost of moving persons to and from these conferences. This amounts to \$83,000.

Hon. Mr. HAIG: That is for ambassadors and others?

Mr. HEMSLEY: It is for delegations from Canada to go to these international conferences. It would include any person appointed to a delegation to an international conference under the jurisdiction of External Affairs. For instance, the delegates to the United Nations.

Hon. Mr. HAIG: Tell us what that amounted to?

Mr. HEMSLEY: \$83,000 is the amount we are estimating will be needed next year.

Hon. Mr. HAIG: For United Nations alone?

Mr. HEMSLEY: Oh, no. Last year's expenditures for United Nations amounted to \$138,902.

The CHAIRMAN: Did that include our permanent representative there?

Mr. HEMSLEY: This was the assembly held in Paris.

Hon. Mr. HAIG: These are the expenditures for the Paris meeting?

Mr. HEMSLEY: Yes. \$29,700 of this was for transportation for the delegations from here to Paris and return and from other centres in Europe into Paris. The cost of maintaining them in Paris was \$69,000. Entertainment granted by the delegation was \$3,000. The item "Sundries" is \$36,000. Under "Sundries" are such items as the rental of office accommodation, which is the big item under this heading, and the rental of office furniture, cars, telephone bills, and so on. These are chargeable to the conference. We group all these under "Sundries"

The CHAIRMAN: Are there any further questions on that?

Hon. Mr. HAIG: Well, where do we spend the rest of that money?

Mr. HEMSLEY: The Economic and Social Council \$17,500; the International Civil Aviation Organization \$3,000; the International Refugee Organization \$1,100; UNESCO \$10,000; the North Atlantic Treaty Organization \$47,000—there were several meetings of the Organization; The General Agreement on Tariffs and Trade \$22,000; the Commonwealth Consultative Committee \$1,500; and a group of unclassified items amounting to about \$9,000, making a total of \$254,850.

Hon. Mr. HAIG: And this year the estimate is \$225,000?

Mr. HEMSLEY: As the General Assembly is meeting in New York instead of Paris we estimate that our costs will revert to the more normal figure of \$225,000.

The CHAIRMAN: What is the explanation of vote No. 101, International Civil Aviation Organization, \$128,320?

Mr. HEMSLEY: That is the assessment of Canada for membership in the organization.

Hon. Mr. EULER: On what basis is that assessment made?

Mr. HEMSLEY: It is a percentage. Our assessment is 4.54 per cent of the total budget of the International Civil Aviation Organization.

Hon. Mr. EULER: How are the relative percentages of the different countries arrived at?

Hon. Mr. HAIG: I can tell you that, because I was on the Finance Committee in 1946 when this was arranged. A man was put in charge of this matter—I think he was from Brazil or Mexico—and the percentages were arrived at on the basis of the annual net incomes of the various countries. On that basis the United States should have paid 69 per cent of the total cost of the organization, but they objected to that and the figure was put at 50 per cent. Russia's percentage should have been much higher than it is.

The CHAIRMAN: Are there any other questions? Vote No. 93 seems to be self-explanatory—Canadian section of Canada-United States Permanent Joint Board on Defence including \$7,500 for the Chairman, notwithstanding anything contained in the Civil Service Act, \$10,000.

Hon. Mr. EULER: Who is the Chairman?

Mr. HEMSLEY: General McNaughton, sir.

Hon. Mr. HAIG: How much is he paid?

Mr. HEMSLEY: Under this vote \$7,500. But he is also paid \$7,500 as Chairman of the Canadian Section of the International Joint Commission.

The CHAIRMAN: So that the total payment to him is \$15,000?

Hon. Mr. EULER: And he has a military pension.

Hon. Mr. LAMBERT: He is not being paid that pension while performing these duties. That has been made clear.

Hon. Mr. HAIG: But when he dies his heirs will have a legal claim to that pension.

Hon. Mr. LAMBERT: I do not know that.

Hon. Mr. HAIG: That is according to a decision made in a Quebec case.

Hon. Mr. EULER: Does he pay income tax on that?

Mr. HEMSLEY: Yes, sir.

The CHAIRMAN: Anything further on that? If not, we shall go on to vote No. 94, grant to the United Nations Association in Canada, \$10,000. That probably does not call for any comment.

Some Hon. SENATORS: Carried.

The CHAIRMAN: Item 95, grant to the International Committee of the Red Cross, \$25,000.

Some Hon. SENATORS: Carried.

The CHAIRMAN: Vote 96, to provide for the construction and execution in Canada of seven doors to be donated by Canada to the United Nations Permanent Headquarters Building, New, York, \$50,000. That vote might need some explanation.

Hon. Mr. EULER: Are those seven doors made of gold?

Hon. Mr. BARBOUR: Seven is a scriptural number.

Mr. HEMSLEY: The doors are of nickel—bronze, I think.

Hon. Mr. LAMBERT: I was on the subcommittee that had to look for the United Nations site in 1947. Mr. Harrison, the Chief Architect, was Chairman. One of the aims was to construct this building as far as practicable out of materials coming from the different countries composing the membership of the United Nations. These doors represent Canada in that building. Whatever is going to be made of it, I do not know, but that is the idea.

Hon. Mr. EULER: It seems a large amount.

Hon. Mr. LAMBERT: When you go through these doors you will know that they were contributed by Canada.

Hon. Mr. EULER: I am not objecting to the idea, but this looks like a lot of money for seven doors.

Hon. Mr. HORNER: Is there any provision whereby if the United Nations Organization cease to function we can bring our doors back home?

The CHAIRMAN: I am bound to say that this amount does appear to be as a bit extravagant.

Hon. Mr. EULER: Hear, hear.

The CHAIRMAN: If United Nations are going to get into competition with one another as to which will put up the finest windows, doors and other parts of the building, they will be losing sight of the main purpose of the organization. Is there any further discussion on this item?

Some Hon. SENATORS: Carried.

The CHAIRMAN: Now we come to the general items, and the first is vote 97, United Nations Organization, \$1,463,200. And following that are specific votes for a number of other organizations, under the heading of Specialized Agencies. What is the explanation of this?

Hon. Mr. LAMBERT: The United Nations Organization is made up of specialized agencies, such as UNESCO, F.A.O., the I.L.O., and so on, which oscillate around the United Nations Secretariat.

Hon. Mr. EULER: The old League of Nations also had a lot of specialized agencies.

Hon. Mr. HAIG: And they never amounted to anything.

Mr. HEMSLEY: Vote 97 is for the United Nations Organization proper, \$1,463,200. Vote 98 is the assessment for the Food and Agriculture Organization, \$246,800.

Hon. Mr. HAIG: That is the one that Lord Boyd-Orr started.

Mr. HEMSLEY: Yes, sir. Vote 99 is the International Labour Organization, \$248,900; and vote 100 is the assessment for UNESCO, \$331,800. Vote 101 is our assessment for the International Civil Aviation Organization, \$128,320; and vote 102 is for the World Health Organization, \$270,800. Then following these are votes for some Commonwealth committees.

The CHAIRMAN: Do all other countries belonging to the United Nations Organization contribute to these different organizations in the same ratio?

Hon. Mr. HAIG: Russia does not.

Mr. HEMSLEY: The U.S.S.R. is not a member of some of these specialized agencies.

Hon. Mr. HAIG: It does not pay its bills promptly, either.

Mr. HEMSLEY: I can give the Cominform countries which participate in the United Nations and specialized agencies, if that would be useful to the committee. It is a fairly lengthy list; if you wish I could have it passed to be included in the record.

Hon. Mr. HAIG: I should like to have an answer from somebody—I know these gentlemen cannot give it because it is not in their department—as to what benefits we get out of these sub-agencies. I have never been able to get the answer to that question. Perhaps I am a dull fellow and am not able to follow it up and get the answer. But I heard Sir Boyd-Orr, and the only thing I got from him was the suggestion that all the surplus grain we have should be given to the starving people of the world to offset communism. I don't think that is the case at all. I would like to know what these agencies do and of what benefit they are to Canada.

Hon. Mr. HOWDEN: It is not the starving people of the world that become communists.

Hon. Mr. HAIG: No.

Hon. Mr. LAMBERT: If I might comment on Senator Haig's point to try and estimate the results or whatever benefits may flow from any of these organizations and our membership in them, I think the Minister is the one who should be asked questions on it.

Hon. Mr. HAIG: I think he is the one who should come here and give us that information.

Hon. Mr. LAMBERT: I think that is what it amounts to. The results are involved in the whole scope of the thing, emanating from the United Nations experiment; these bodies are parts of the United Nations idea, and it is pretty hard to compute in dollars and cents what the results are. It is part and parcel of the whole idea of international relations, and I think it would be interesting for the committee to have a statement from the Minister about it.

Hon. Mr. HAIG: We might even get the Russian chargé d'affaires to come and tell us why this country does not belong to these specialized agencies.

Hon. Mr. GOLDING: Do you really think he would come?

Hon. Mr. HAIG: I would like him to come and tell us why his country does not belong. He would not have to come, but we could invite him.

Hon. Mr. LAMBERT: Mr. Pearson could give you the answer.

Hon. Mr. HAIG: I would like to hear the Russian side of it.

Hon. Mr. LAMBERT: He has an immunity against doing that.

The CHAIRMAN: My own feeling is that this subject could stand a little more examination. Take, for instance, the Food and Agricultural Organization; we contribute \$246,000 to that. Mr. Hemsley, do you know what the total budget of that organization is?

Mr. HEMSLEY: Yes; the budget for 1952 has been set at \$5½ million.

The CHAIRMAN: Of which we contribute \$246,000.

Mr. HEMSLEY: Yes, our share is 4·54, or \$237,000 U.S.

The CHAIRMAN: Who is the head of that organization, do you know?

Hon. Mr. LAMBERT: It is not Sir Boyd-Orr, is it?

Hon. Mr. HAIG: No, he is out.

Mr. HEMSLEY: It is no longer Sir Boyd-Orr.

Hon. Mr. HAIG: He started it.

Hon. Mr. LAMBERT: I think someone in Washington is head of it this year.

Hon. Mr. HAIG: Is not the head of the Agricultural Organization Mr. Hannam? He always represents Canada.

Hon. Mr. LAMBERT: But he is not the head of it.

Hon. Mr. HAIG: He is sent by the government.

Hon. Mr. LAMBERT: I think the Deputy Minister of Agriculture is the chief delegate to F.A.O.

Hon. Mr. HAWKINS: I think it is hardly fair in a discussion of this nature to ask these gentlemen questions which should be answered and explained by the Minister.

The CHAIRMAN: No.

Hon. Mr. HAWKINS: Then I don't see how you are going to get very far.

The CHAIRMAN: Take for instance a question like this: What is the amount appropriated for the Food and Agricultural Organization. Can you give us that?

Mr. HEMSLEY: \$5,250,000.

The CHAIRMAN: What is appropriated for the International Labour Organization?

Mr. HEMSLEY: The budget has been set at \$6,470,000.

The CHAIRMAN: Of which we contribute \$248,000?

Mr. HEMSLEY: Yes.

The CHAIRMAN: Then take Item 100: "United Nations Educational, Scientific and Cultural Organizations". What is its total budget?

Mr. HEMSLEY: \$8,718,000 U.S.

The CHAIRMAN: And of that we contribute \$331,000?

Mr. HEMSLEY: Yes, sir.

The CHAIRMAN: Is that the organization which Dr. Keenleyside is head of?

Mr. HEMSLEY: No; he is the head of the United Nations Technical Assistance Administration.

The CHAIRMAN: Who is the head of this one?

Mr. HEMSLEY: I don't know.

The CHAIRMAN: Then the World Health Organization, what is our contribution to that and what is its budget?

Mr. HEMSLEY: \$3,265,865.

Hon. Mr. HAIG: Our greatest contribution to that is Dr. Brock Chisholm.

The CHAIRMAN: Yes; that is the organization headed by Dr. Brock Chisholm.

Mr. HEMSLEY: Pardon me. I had in mind the figures for I.C.A.O. Vote 101. Dr. Chisholm is in charge of the World Health Organization, and that is covered by Vote 102.

The CHAIRMAN: What is the budget for the World Health Organization?

Mr. HEMSLEY: \$8,600,000 U.S.

The CHAIRMAN: And what other one requires correction?

Mr. HEMSLEY: The International Civil Aviation Organization, covered by Vote 101—\$3,265,865, of which our contribution is \$128,320.

Hon. Mr. LAMBERT: The headquarters of that organization are still in Montreal, are they not?

Mr. HEMSLEY: Yes, sir.

The CHAIRMAN: Then Vote 107, which is our contribution "Contribution to the North Atlantic Treaty Organization to Meet the Canadian Government's Share of Civil Aviation, \$178,000".

Mr. HEMSLEY: Yes, sir.

The CHAIRMAN: That is our share of the estimated cost of civil administration.

Mr. HEMSLEY: Yes, sir.

The CHAIRMAN: And the United Nations expanded program for technical assistance, \$850,000. Quite obviously, we cannot ask you gentlemen to explain why these votes are so much.

Hon. Mr. HAIG: No.

Hon. Mr. LAMBERT: The Colombo Plan is not included in this one?

Mr. HEMSLEY: No, not in this one. This is the United Nations Technical Assistance.

Hon. Mr. ISNOR: That is Item 113.

The CHAIRMAN: All we can do here is get the figures and what is proposed to do with the vote.

Hon. Mr. BARBOUR: Mr. Chairman, have we a quorum?

Hon. Mr. HAIG: I move we adjourn.

Hon. Mr. GOLDING: I believe the Minister should come for the purpose of discussing some of these questions.

Hon. Mr. BARBOUR: Yes; I think the increase is enough to make it sufficiently important for the Minister to come.

Hon. Mr. HAIG: I move we adjourn.

Hon. Mr. ISNOR: Is the witness coming back?

The CHAIRMAN: No, we did not propose to have him again.

Hon. Mr. ISNOR: Mr. Hemsley, you are, I suppose, the financial expert of the Department?

Mr. HEMSLEY: I would not say that, sir.

Hon. Mr. ISNOR: Chief Accountant, are you?

Mr. HEMSLEY: Yes, sir.

Hon. Mr. ISNOR: Would it be a fair question to ask you whether Treasury Board cut your estimates to any great extent last year?

Hon. Mr. HAIG: That is not fair.

Hon. Mr. ISNOR: Just a minute.

Mr. HEMSLEY: I may say that our relations with the Treasury Board are quite happy, as far as the preparation of estimates is concerned.

Hon. Mr. ISNOR: That is not the point. The witness, you say, won't be back. I was going to point out that there are one or two increases. They are very small, but the principle is what I have in mind, because of the work of this committee last year. I have in mind the pensions increases, which gained by something like 60 per cent last year. It is only a small amount.

The CHAIRMAN: That is an entirely proper question.

Hon. Mr. ISNOR: And also the general employment situation. The number of employees increased to a very marked extent last year. Also criticism was made by certain members of the committee, of whom the Chairman perhaps is outstanding, in regard to publications, for which the amount in the estimates for the present year is larger than last year by something like \$10,000.

Hon. Mr. HAIG: Well, he cannot answer all those questions now. I agree with you we should have that information.

Hon. Mr. ISNOR: That is why I want to know if he is coming back.

Hon. Mr. HAIG: We will have to get him back when it can be arranged.

Mr. HEMSLEY: On the publications, I think that was possibly explained by the increase of \$25,000 on that one publication, the "Canada Leaflet" that I mentioned earlier.

Hon. Mr. HAIG: \$25,000 and 2 cents a copy?

Mr. HEMSLEY: Yes.

Hon. Mr. HAIG: Would that give you the increase?

Mr. HEMSLEY: Yes, I think that accounts primarily for the increase. On the staffing side, it was largely as the result of the work of what we call our establishment committee, which is ourselves, the Civil Service Commission, and Treasury Board, who considered the whole establishment of the Department.

Hon. Mr. LAMBERT: There is the very large item of \$25,000,000.

Mr. HEMSLEY: That is the Colombo Plan.

The CHAIRMAN: I will arrange for a meeting of the steering committee Friday morning. Tomorrow we have Dr. Hope appearing before us, at the suggestion of Senator McDonald, to give us his views on the agricultural economy of Canada in relation to our general picture. Thank you, gentlemen.

The Committee thereupon adjourned until 11 o'clock tomorrow morning.

APPENDIX "A"

FEDERAL GOVERNMENT ESTIMATES AND EXPENDITURES
BY MAJOR CATEGORIES

	1952-53		1951-52	
	(Estimates)		(Expenditures as estimated in Budget)	
	Amount	%	Amount	%
	000's		000's	
(a) Defence	\$2,100,437	48.6	\$1,400,037	38.2
(b) Social Security	902,849	20.8	689,999	18.8
(c) Civil Service, apart from National Defence	341,519	7.9	307,144	8.4
(d) Public Debt Charges	435,518	10.0	443,523	12.1
(e) Contribution to Superannuation Fund	13,269	.3	110,911	3.0
(f) Subsidies to Provinces	32,308	.8	127,208	3.5
(g) General Administration and All Other Items	503,897	11.6	588,589	16.0
	<u>\$4,335,797</u>	<u>100.0</u>	<u>\$3,668,411</u>	<u>100.0</u>

DESCRIPTIONS OF CATEGORIES

(a) Includes all National Defence, all Defence Production, and all Civil Defence (under National Health and Welfare).

(b) Includes Family Allowance Payments, Old Age Security Payments, Old Age Assistance, Blind Persons Allowance Payments, General Health Grants, the Government's Contribution to the Unemployment Insurance Fund, and Disability Pensions and Other Payments to Veterans.

(c) Includes Civil Salaries and Wages, and Civilian Allowances (Standard Objects 1 and 2) for Departments other than those included in (a) above.

(d) Includes Interest and all other Public Debt Charges.

(e) Contribution, by the Government, of an amount equal to current and arrears payments of individual contributors in the previous fiscal year.

(f) Includes Subsidies, Tax Rental payments and Other Payments to Provinces which are not for specific purposes.

(g) Includes all other expenditures not included in the above categories.

APPENDIX "B"

Vote No.	Department and Vote	1952-53	1951-52
	<i>Agriculture</i>	\$	\$
2	Information Services	45,000	45,000
	<i>Citizenship and Immigration</i>		
59	Citizenship Branch	14,475	15,000
60	Administration of the Immigration Act	48,000	48,000
73	Indian Affairs Education	2,500	2,500
		<u>64,975</u>	<u>65,500</u>
	<i>Fisheries</i>		
142	Information and Educational Services	15,000	19,500
	<i>Insurance</i>		
172	Fire Prevention	7,500	5,000

STANDING COMMITTEE

Vote No.	Department and Vote	1952-53	1951-52
	<i>Labour</i>	\$	\$
187	Departmental Administration	16,000	12,000
190	Fair Wages, Conciliation, Industrial Relations, etc.	28,000	24,000
202	Payment to the National Film Board for Educational Films for Exhibition	24,000	24,000
		<u>68,000</u>	<u>60,000</u>
	<i>Mines and Technical Surveys</i>		
221	Departmental Administration	4,000	4,000
	<i>National Defence</i>		
248	Defence Services	207,000	200,000
	<i>National Film Board</i>		
255	Administration, Production and Distribution of Films, etc	2,804,131	2,474,366
	<i>National Health and Welfare</i>		
258	Health Branch Administration	4,750	4,500
271	Indian Health-Operation and Maintenance	3,000	—
273	Health Branch - Special Technical Services	44,500	39,100
288	Welfare Branch Administration	2,250	2,000
294	Civil Defence	112,000	13,000
		<u>166,500</u>	<u>58,600</u>
	<i>National Revenue</i>		
307	Taxation Division - Gen. Administration	5,500	—
	<i>Post Office</i>		
311	Departmental Administration	17,000	20,200
	<i>Resources and Development</i>		
376	National Parks and Historic Sites	15,400	22,100
379	National Parks - Wildlife Services	5,500	7,000
380	National Museum	3,000	1,700
401	Northwest Territories - Operation and Maintenance	2,350	2,200
414	Forestry Operation Division	8,700	14,000
419	Canadian Government Travel Bureau	35,000	35,000
		<u>69,950</u>	<u>82,000</u>
	<i>Trade and Commerce</i>		
444	Information Division	1,000	1,500
	Total	<u>\$3,475,566</u>	<u>\$3,035,666</u>

1952

THE SENATE OF CANADA



Government
Publications

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953.

No. 5

THURSDAY, MAY 22, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Dr. E. C. Hope, Economist for Canadian Federation of Agriculture.

THE STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

The Honourable Senators:

Aseltine	Fraser	Pirie
Baird	Gershaw	Quinn
Barbour	Golding	Reid
Beaubien	*Haig	*Robertson
Bouffard	Hawkins	Roebuck
Buchanan	Hayden	Stambaugh
Burchill.	Horner	Taylor
Campbell	Isnor	Turgeon
Crerar	King	Vaillancourt
Dupuis	Lacasse	Vien (36)
Euler	Lambert	50 Members
Fafard	McDonald	(Quorum 9)
Farris	Paterson	
Fogo	Petten	*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 22, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Crerar—Chairman, Barbour, Beaubien, Euler, Fafard, Gershaw, Golding, Haig, Hawkins, Horner, Isnor, King, Lambert, McDonald, Paterson, Reid, Stambaugh, Taylor and Turgeon.—19.

Consideration of the order of reference of March 26, 1952, was resumed.

Dr. E. C. Hope, Economist for Canadian Federation of Agriculture, was heard.

At 1.15 p.m. the Committee adjourned until Wednesday next, May 28, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, May 22, 1952.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1953, met this day at 11 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: Gentlemen, ten days ago when the Steering Committee was considering the progress of our inquiry it had a suggestion from Senator McDonald, with which we all agreed, that it would be useful and helpful to the committee to have Dr. Hope, the economic advisor of the Canadian Federation of Agriculture, and formerly on the economic staff of the University of Saskatchewan, as a witness.

Hon. Mr. HAIG: So far as I am concerned he has another recommendation besides that: he was economic advisor to John Bracken.

The CHAIRMAN: Yes.

Hon. Mr. McDONALD: And Senator Haig gave Dr. Hope a recommendation.

The CHAIRMAN: In a letter that I sent to Dr. Hope I pointed out that we were looking into the matter of total government expenditures, at all levels of government, and total taxation at all levels of government, and the effect that these might have upon our economy in both an inflationary and deflationary way; and that what we had in mind in asking him to come before us was that he might give us his views on how these expenditures and taxation had affected the agricultural industry. Dr. Hope is with us this morning and he will make an opening statement. Then we shall further enlighten ourselves by questions, and I propose, if it is agreeable to the committee, to call upon members in the order in which they sit around the table, as we did the other day. After every member has had an opportunity of asking the questions he wishes to ask, we could perhaps sum up with general questions arising from ideas that may occur during the progress of the discussion.

Hon. Mr. HAIG: Mr. Chairman, before Dr. Hope speaks I would like to say one word. As a member of the Steering Committee, I think Dr. Hope should know that we would like as full and complete a statement as he cares to give to the committee, and that we are not going to limit him to any particular time.

The CHAIRMAN: I have explained that privately to him.

Hon. Mr. HAIG: I wanted him to know that, because we are interested in agriculture. Some people may not think so, but we are.

The CHAIRMAN: I now have much pleasure in introducing to the committee Dr. E. C. Hope, Economist, Canadian Federation of Agriculture.

Dr. E. C. HOPE: Mr. Chairman and honourable gentlemen, I regret that I have not got any prepared opening statement. I was not quite sure what you wanted me to deal with, and in conversation with Senator Crerar this morning he suggested that I start by making a general statement on the position of agriculture. I think possibly the best thing to do is to review briefly what the position of agriculture is and has been.

I would say that the most prosperous post-war years for agriculture as a whole were probably 1946, 1947 and 1948. Whether we use the 1925-29 pre-depression period as a base, which we often do in our Federation, or whether we use the period 1943-45, as the Minister of Agriculture sometimes does—in other words, the last three years of the war—as a fair base for comparison, we find that from 1946 to 1948 agriculture averaged apparently somewhat above parity with respect to prices. It has been falling gradually since 1948. I would say that today, on a price basis, we are now somewhat below parity compared with either 1943-45 or the 1925-29 base.

On the basis of income—that is the income of agriculturists compared with the income of non-agriculturists—the comparison is a little different. Using the old base of 1925-29, the pre-depression base, as 100, in the thirties agriculture fell to around 35 to 40 per cent compared with other groups in terms of income per capita. During the period 1946-48—in fact, from 1942 to 1948—the average was almost exactly parity income. Naturally we cannot always have an agriculture income on exact parity with the income of other groups in any one year, except by accident. And as you well know, our volume of production varies so much from year to year, that sometimes because of a big volume of production we may be up above parity income, and the next year, because of lower production, we may fall below parity income. In 1951 we were possibly slightly above parity income, because we had a big crop. I am talking now about income parity, not price parity.

As to the prospects for the coming year, our parity position has been slipping ever since the middle of 1951 and we are slightly below parity now. We could perhaps analyse the prospects for 1952-53 by reviewing first of all individual commodities, and then looking at the overall picture.

The position of agriculture in 1952 has been seriously complicated by two things. First of all, the embargo on the shipment of livestock to the United States has eliminated the possibility of our exporting animal products to that country. That has affected the hog, the beef, the dairy and the poultry industries. It is further complicated by the fact that our market to the United Kingdom for animal products is virtually non-existent, except for the recent deal. It is also complicated in a way by the large crop of 1950 and of 1951—in other words, two big crops in succession have resulted in a very large supply of feed grains on hand. There are only two ways of getting rid of that grain. One is to export it, and the other one is to feed it to livestock. Our overseas markets for coarse grains, oats and barley, are not particularly bright, and probably the bulk of the grain will have to be fed. This has of course resulted in a large animal production, an increasing production of eggs, poultry meat, pork and beef. Although the markets may not show it, there has been an increased production of beef; and the production of dairy products also has been increasing recently. Consequently, we expect animal products all over Canada to increase in 1952 and likely in 1953. We cannot get rid of all our grain supply in 1952, so we will have to keep feeding more livestock, and we are liable to be faced with a continuous surplus of animal products for this year and possibly all of 1953. If, of course, we have a good crop this year the surplus in livestock might continue for a still further period.

Therefore, the over-all picture affecting livestock products from the supply side is not very favourable for this year and 1953. The situation has been further complicated by the cutoffs, as you know, of the American demand. If that market should open this late fall or possibly next spring—we are hoping for this fall—we could expect some relief through the export of animal products to the United States. I would not say that we will get as high a price for our beef when that happens as we did last year, for the reason that already the American market is down about $3\frac{1}{2}$ cents a pound for

beef as of a year ago; further, official sources have been predicting an increase in the supply of beef in the United States this year. This situation will likely continue for some years, throughout 1953, 1954 and so on. In other words, the livestock situation has changed with the increased supply of beef. Somewhat the same thing has happened in Canada: Our numbers of beef cattle have been going up for about two years, and they will likely continue to increase. The over-all market outlook for beef in North America, therefore, shows prospects of increased supplies for a number of years to come.

The United States market for hog products this fall may be a little better, because their numbers are declining. This would tend to offset the increase in beef supplies. But the overall picture for animal products, including beef and pork, from a price standpoint, over the next two years, does not look very rosy.

Hon. Mr. EULER: Would they look rosy to the consumer?

Dr. HOPE: That is a good question. I would expect that retail prices for meat in the coming twelve months or more will not rise; they may even go down a little.

As far as poultry is concerned, the producers are faced with a similar situation. Eggs are down in price, and there are large quantities of poultry meat in cold storage. The supply of eggs is liable to be heavy for the most of this year and possibly 1953, so egg prices will not show much rise, apart from the seasonal rise.

Concerning dairy products, because of the supply of coarse grains, more grain feeding being practised, and the embargo against shipment of dairy cattle to the United States, we have already seen the total milk production begin to increase. That would not have been very serious if we had a market for cheese in the United Kingdom, which, this year, we do not have. As you know, the government policy has been to establish an initial payment of 24 cents a pound for cheese. Last year the cheese producers of Ontario had a domestic price of 36 cents. Excuse me, the price to the producer was about 32 cents or 33 cents; although the domestic price at wholesale was 36 cents. So, the cheese producers this year start off with an initial drop of eight cents a pound, or 25 per cent, which will result in a big reduction in their incomes. However, I am not entirely pessimistic about the cheese situation. I think there is a possibility that the price might rise above the 24 cents.

Hon. Mr. EULER: How is it affected by the apparent embargo by the United States in not carrying out their agreement?

Dr. HOPE: We are affected very seriously by that now, with a virtual cutoff of our export except for a small base period of about two million pounds. I understand that the Defence Act in the United States and also the recent amendment to it, runs out as of the 1st of July. Further, I believe there are certain interests in the United States who are trying their best to prevent it being renewed. There is a possibility that it may not be renewed.

Hon. Mr. EULER: In the face of an election over there?

Dr. HOPE: Well, apparently the United States has power to deal with any products under price support, and when the importation of products are likely to cause a breakdown of the price support program, the government can automatically, without the passage of legislation, prohibit such imports.

Hon. Mr. McDONALD: I think these questions should wait until Dr. Hope is through, Mr. Chairman.

The CHAIRMAN: Yes; before you came in, Senator Euler, we had agreed that we would allow Dr. Hope to make a preliminary statement, and then we would ask questions around the table.

Hon. Mr. EULER: I am sorry, Mr. Chairman. Do I have to take my questions back?

The CHAIRMAN: No.

Dr. HOPE: We will go into that question in a little more detail later on.

When I say that I am not too pessimistic about the cheese situation, I think there is a possibility that the price could rise above the 24 cents initial payment, which would mean that the producer would get a further payment. I think also that there will be a reduction in cheese production. With a price of possibly 26 cents this year, compared with 36 cents last year, and the possibility of a reduction in production, one can see that there is some chance that the price may move up a little bit. However, at the present moment the surplus cheese situation is the most serious threat to the dairy industry; and it affects other products as well.

I may say that the general overall net income of agriculture, with an average crop in 1952, would likely be down over 1951. I think there is no doubt about it, in spite of the bigger volume. Costs have been rising fairly steadily, as have been the costs of production in other goods, especially since Korea. The most recent index we have, for January, shows that farmers costs have reached a new and all time high; and I would suspect that the next index, when released, for the first of April, will show no drop in that figure. The cost situation, taken with the drop in price of over a year ago, shows the unfavourable position of the farmers, especially with respect to livestock products. The farmers' net income will be down.

With respect to price supports on agriculture, when one looks at the size of the industry—which employs one million in its labour force, or about one-fifth of the total labour force of Canada—the cost of maintaining those supports does not seem to be unduly large. Up till the end of 1951 it was only about eleven or twelve million dollars. There has been a lot of talk and a lot of newspaper comment, but when you get right down to it the total amount of money actually spent in agricultural prices support has not been very large, in relation to the \$200 millions price support fund. If you figure on a four- or five-year program it has not averaged more than \$2,000,000 a year. It is true that it will be somewhat more this year. But it has not been excessive, especially in view of the fact that there are one million workers in this industry; and I can think of some other industries which have been helped from time to time by straight government subsidies and bonuses, in comparison with which I cannot feel that agriculture has been over generously treated. I have in mind a recent debate in the House of Commons on the Gold Subsidies Act, for instance. I understand that the grant of eight or nine million dollars a year has again been renewed. Probably this is in the national interests, but the value of the gold mining industry in terms of employment is very small: I suppose there are not more than 23,000 workers altogether. Yet the government is spending \$8,000,000 on that industry. How essential gold is I do not know. We cannot eat it. I suppose that for certain financial transactions we need to keep the industry going. But that the basic industry of agriculture has had just \$10,000,000 of price support in five years is something to consider.

Actually, the official policy of the Federation has never been to ask any price supports at full parity position. I do not know of any official announcement from the Federation to the effect that in our view any particular industry should have its full parity position maintained at all times. We have asked for reasonable price supports, sometimes somewhat higher than the government has agreed to give. Perhaps it is not unusual for people under these circumstances to take more or less of a bargaining position. Occasionally we have had the feeling that in the past price supports were not quite high enough. Sometimes we have felt that they have resulted in too great a contraction of

production, followed a short time later by high prices. That condition occurred, for instance, a couple of years ago in the case of eggs. We believe that the very high price for eggs last year would not have happened if the price supports the year before had been a little higher, because we go on the theory or the thought that price supports could be used not only to help the farmers in relation to industry generally, but also to prevent too great a contraction of production, because farmers will respond to a low price by contracting right down,—there is no doubt about it; they will respond to such an extent that one, two or three years later the price will be quite high, because they have gone into something else. We feel that one of the sound reasons for price supports on a parity basis is to see if we can iron out agricultural production to make it somewhat more uniform from year to year. We cannot do this completely, but we can move in that direction. I know that without price supports variations would be much more violent than they have been.

That, I think, Mr. Chairman, completes my opening statement. I have not dealt, it is true, in any detail with the impact of taxation and inflation on agriculture, but maybe those points will be brought out in the questions which will be asked.

The CHAIRMAN: Before we go around the table: you stated earlier, Dr. Hope, that the prices for certain years—I think, from 1946 to 1948—were about equal to parity, or somewhat below parity. Will you explain to the committee what you mean by “parity”, because that, I think, is a matter upon which we need some information.

Dr. HOPE: First of all I might say that the Canadian Federation of Agriculture has not really officially endorsed a parity-price program. I do not think there has been an official policy based upon that particular item. But as I understand “parity” it is a price for farm products which will buy about as many goods as it would in a certain base period. In other words, if we say, for instance, that the prices of farm products are at parity, we mean that value of all units of an overall basket, as we may call it, of farm products would buy as many goods and services as the same quantity would in a base year farther back, either 1943 to 1945 or 1925 to 1929—you can choose your base. I often think that as an overall picture it is safer to use that method than to take a single commodity, because so many things can happen to demand and supply and to changes in cost of production in respect of a single commodity, which would not be true for agriculture as a whole. So I personally think it is better and prefer to use the expression, parity prices for agriculture as a whole, rather than to confine myself to parity prices for any one product. I could illustrate that by saying that a good example is timothy hay. I often like to use it as an example. There was a time when timothy hay had a high-buying price because it was bought for horses used in logging, pulling trucks and drays, and the like. That situation no longer exists, so timothy hay has lost in buying power. If you want to set a price for timothy hay you might suggest \$30 a ton, but everybody knows that that would be crazy, because its value has fallen compared with that of other products, compared with farm prices and all other prices. So to use the parity concept for a product like that would be misleading. But if you take parity prices for farm products as a whole, particular situations like that of timothy hay are ironed out, and for the industry as a whole one gets a pretty fair picture.

The CHAIRMAN: Can you give a word of explanation of the application of the parity principle in the United States, where it has been for several years their regular policy?

Dr. HOPE: It is a little difficult, Senator, because they have changed it so many times, but I will try. Basically, they take the period from 1910 to 1914, that is the five years before World War I, and they have compared their prices

of farm products and their costs with that base period of long ago, and they compute the parity price for each individual product on that base. They take the price of the product and compare it with the cost of farming for that base period. There are some considerable modifications in that general statement. For some of the products they could not use the 1910-14 base period and they used some other base period, but they still stick, as a rule, to the 1910-14 base period. At one time they did have a price support program based upon 90 per cent of that. In other words, they said that for any one product the price should be supported at 90 per cent of its parity. They said that it should not go any lower than that. This policy applied for a time to only certain basic commodities such as corn, wheat, tobacco and cotton. At one time they wrote into the Act this provision of 90 per cent at parity, but within recent years they have changed it to what they call a flexible support program where some products can be supported at various levels of parity, some as low as 75 or 80 per cent of parity. It is what they call a flexible program. If the secretary of agriculture feels that the supplies are too great, then the price support program can go lower than 90 per cent. There are some products not supported at all by a price support program. Quite candidly may I say that the Americans have changed their system so many times and they have so many exceptions that it would be quite a job to come here and give the details of it. But that is the basic way that it works. In some cases the program is administered by outright purchases of products supported by the government, like dried eggs, and these are stored. In some cases it takes the form of a loan where the farmer will be guaranteed a certain amount. He is given a loan and his product is put in a bin and a seal is placed on it. In other words, they either buy it outright or give loans. It varies.

The CHAIRMAN: I think we can start now and ask Dr. Hope home questions.

Hon. Mr. Ross: Dr. Hope, I understood you to say that the farmer's costs are higher now. It is true that because of the high price of machinery a farmer needs a great deal more capital to go into agriculture now, but do you mean to say it costs more to produce a bushel of wheat now than it did some years ago—that is apart from inflation?

Dr. HOPE: Costs in dollars or physical work?

Hon. Mr. Ross: In dollars.

Dr. HOPE: It costs more in dollars, yes.

Hon. Mr. Ross: Apart from inflation?

Dr. HOPE: Well, that is a difficult thing to explain. In other words, you are thinking in terms of physical effort. The cost of producing wheat can be figured in dollars, which is the usual way, or it can be calculated in terms of physical "inputs" as it were. It is true that we require less man labour to produce a bushel of wheat than we did some years ago, but in terms of dollars the cost has naturally gone up.

Hon. Mr. Ross: I think you stated that agriculture has been supported to the extent of \$10 million during the past five years.

Dr. HOPE: Yes, under the price support program.

Hon. Mr. Ross: Does that take into consideration the freight costs on shipping grain from Port Arthur to the farmers in eastern Canada and shipping grain to the farmers in British Columbia?

Dr. HOPE: No. That is the Agriculture Prices Support Act—what they call price support.

Hon. Mr. Ross: That does not take into consideration those figures?

Dr. HOPE: No.

Hon. Mr. TURGEON: I have a question to ask which arises from Senator Ross' question. The cost of producing agricultural products has gone up. Is the ratio between what he gets for his products now and what it costs him now the same as it was in some other period?

Dr. HOPE: That is expressed by this parity price ratio which I have been quoting, based on the period from 1943 to 1945, the last three years of the war. That ratio of exchange, as it were, was most favourable for the farmer from 1946 to 1948, and the ratio has fallen since then. At the present time it is a little below what it was.

Hon. Mr. TURGEON: It is less favourable now?

Dr. HOPE: Yes.

Hon. Mr. BEAUBIEN: The doctor made a statement that there are a million people employed in agriculture in Canada. Has that employment been more or less steady for many years now, or has farm machinery reduced the numbers employed in agriculture in this country?

Dr. HOPE: The number of workers in agriculture has been declining greatly over a period of time, particularly since 1945-46. The number of workers in agriculture—as shown in a survey to be found in the last quarterly issue of the *Labour Force*, survey published by the D.B.S.—has been going down gradually. I would say that it is definitely smaller than before the war. It is as a result, as you say, of more mechanization.

Hon. Mr. BEAUBIEN: In answer to a question by Senator Ross in regard to the cost of producing cereals, did I hear you say that it was higher now than it was previously?

Dr. HOPE: In dollars, yes. The cost per bushel in dollars is higher than it was before, but the amount of energy or manpower per bushel is going down.

Hon. Mr. BEAUBIEN: How can you arrive at the cost of producing a bushel of wheat?

Dr. HOPE: I have not got any cost figures. There has been a rise in the cost index of let us say 100 per cent since 1939, or it has doubled, and I know there is no possibility that the farmer has doubled the amount of wheat he can produce in one hour since 1939.

Hon. Mr. BEAUBIEN: The point I want to make is whether a few bushels more or less to the acre would change your whole cost set-up.

Dr. HOPE: Oh, yes. When I talk about whether or not the cost of producing wheat has gone up or down at any time, I never think in terms of any one year. I think in terms of the western average yield of fifteen bushels, and the trend has shown in the last few years that the situation has not changed too much. Lately they have had big crops per acre and therefore the cost per bushel has fallen, but I would say that this has been due to fortuitous circumstances.

Hon. Mr. BEAUBIEN: You will admit that farm machinery has reduced the cost of producing cereals a great deal?

Dr. HOPE: Over time, it has, yes.

Hon. Mr. BEAUBIEN: I remember a statement made some years ago by James Richardson—I think the Chairman will remember this too—that with farm machinery wheat could be produced at 40 cents a bushel. I wondered how he arrived at his cost, and I am wondering how you arrive at your cost of producing cereals. As far as farm machinery is concerned, the hired help is negligible in western Canada.

Dr. HOPE: Sometimes we are apt to go a little too far in thinking that we can produce a certain product in so many hours. I run a farm out here

myself, a dairy farm of 300 acres—I live on it—and I am trying to cut down labour all the time, but every time I attempt to do this I have to invest in another machine. That means an increase in capital cost and in interest and repair costs. I think it is cheaper to produce by machinery, yet the reduction in cost is not as large as many persons think, because of the costs of servicing and repairing machinery besides the capital cost and the interest. The trend towards the use of machinery has been going on for a long time and probably will continue, and I think that agriculture and society at large will gain from it and that we have not much to worry about in this connection.

Hon. Mr. BEAUBIEN: You mentioned that the outlook for animal products is not very bright in the next few years.

Dr. HOPE: That is right.

Hon. Mr. BEAUBIEN: The disease that has broken out in western Canada will have a big effect on reducing parity in agricultural income, will it not? Was livestock not a big item in farm income?

Dr. HOPE: It was a big item. That is why I said that the net income of agriculture will likely decline in 1952.

Hon. Mr. BEAUBIEN: I have no more questions.

The CHAIRMAN: Senator Taylor?

Hon. Mr. TAYLOR: I have no questions, Mr. Chairman.

The CHAIRMAN: Senator Horner?

Hon. Mr. HORNER: Do you know what it has cost the United States government to support farm prices?

Dr. HOPE: No, Senator Horner, I am sorry I have not got that information at my finger tips. I have seen the figures in the past, and I know that it runs well into the hundreds of millions of dollars.

Hon. Mr. HORNER: It is very difficult to estimate what the farm income will be. As Dr. Hope has pointed out, there has been an exceptionally large yield in the last two years. On the other hand, the cost of machinery and repairs has been rising every year.

In the last year the price of a combine has gone up \$500; now an ordinary combine costs \$5,000. These machines have not a very long life. You can use them for about two years without having to spend much on repairs, as a rule, but after that the cost of repairs becomes so high that it is often cheaper to replace them. However, the population of both Canada and the United States seems to be increasing rapidly, and my own view is that farmers should not be alarmed about the price of beef in Canada. I think our population in this country is increasing much faster than the cattle herds are. Because of this foot and mouth disease many cattlemen are selling their entire herd. I know people who formerly were very much attached to cattle and have now quit the business and do not intend to return to it. The present scare seems to me entirely unnecessary, and I think the Federation of Agriculture would be well advised to do what it can to impress this upon farmers. About two weeks ago I was at a stockyard and watched cattle selling at prices that surely would not have been accepted if the farmers had not been in a panic. I saw a nice young cow sell for 8 cents a pound, and fairly good steers down as low as 13 and 14 cents; and very choice beef steers at 21 and 22 cents. That was right in Saskatoon. In my opinion there is no justification for the present retail price of beef.

I also think the Federation of Agriculture should try to encourage larger consumption of farm products. Take cheese, for instance. I have heard the minister say that Canadians eat less cheese per capita than any other people

in the world. Yet we produce some of the world's finest cheese. But often when you try to obtain some you are told there is none on hand. That is true even in our own parliamentary restaurant. Then take eggs. We are selling eggs in the west at 13 and 14 cents a dozen, yet on the diners of our own publicly owned railway, the Canadian National you are charged 25 cents for a single egg. And again in our parliamentary restaurant, where we are supposed to be given special consideration, we have to pay 15 cents for a single egg. The health of the people of Canada would be improved if they ate more cheese and eggs.

The CHAIRMAN: Have you any more questions, Senator Horner?

Hon. Mr. HORNER: No, Mr. Chairman.

The CHAIRMAN: Senator McDonald?

Hon. Mr. McDONALD: Mr. Chairman, Dr. Hope has given us a very interesting and instructive address, and one which I am sure will be read by not only the members of this committee but by members of parliament generally, when the report is printed. I think it should help to make a better understanding between consumers and producers. He has done such a good job in this address that he answered the questions that were in my mind when I brought the matter up in the Steering Committee. I do wish to take this opportunity of thanking Dr. Hope, and also of thanking the Federation of Agriculture for allowing him to come here.

The CHAIRMAN: Have you any questions, Senator McDonald?

Hon. Mr. McDONALD: No.

The CHAIRMAN: Senator Barbour?

Hon. Mr. BARBOUR: Dr. Hope, you said, I think, that agriculture in the years 1942-48 was nearer parity than in any other years. Is that not the nearest to parity that agriculture in Canada has ever come in comparison with other products?

Dr. HOPE: I did not get the point of the question, senator.

Hon. Mr. BARBOUR: Through the years the prices for farm products have usually been below the prices for manufactured and other products, and you mentioned the most favourable years that you knew of for agriculture.

Dr. HOPE: I said that from 1942-48 our income was on a parity with that of other groups, and I took as a base for comparison the period from 1925 to 1929, the four or five years before the depression. In 1942-48 we averaged the same relative position as before the depression. I would not want to take the depression years themselves as a base for comparison, and I do not suppose any one would. We would not want to take the early years of the war, because we believe we were depressed; we would not want to take the years 1921 or 1922, the first post-war deflation years of World War I; nor would we want to go back as far as the Americans do, to 1910-14. In the first place, we do not have figures that go back that far. What we do is take the figures for a period before a depression. The Minister of Agriculture sometimes uses 1943-45.

Hon. Mr. HAIG: As the base years?

Dr. HOPE: Yes; and yet if you take 1925-29 you get almost the same result as you do by taking 1943-45. It would seem therefore that 1925-29 showed somewhat the same level as 1943-45. However, the latter period shows the more current condition, and is probably better.

Hon. Mr. BARBOUR: You have said, Dr. Hope, that about \$10 million was spent on price support for farm products?

Dr. HOPE: Yes.

Hon. Mr. BARBOUR: Do you think that figure would compare favourably when we consider that over the past two or three years the government has increased the salaries of civil servants; that last year it put \$22 million into the superannuation fund to keep it solvent in the face of the increased salaries; and that later it contributed a further sum of \$75 million to that fund? Can you recall anything comparable to that being done for the farmers?

Dr. HOPE: No; it would be pretty difficult to point to anything unless one wanted to go back to the relief given to Saskatchewan in the thirties, when they got seed to the value of about \$100 million over a period of time. Of course they were then in serious distress.

I might mention one other feature of the situation. There are a million workers in agriculture and four million in non-agriculture activities. In the non-agriculture employees are assisted each year by federal contributions to the unemployment scheme, to the extent of \$46 million—\$22 million direct contribution and \$26 million cost of administration. That \$46 million is spent every year to maintain the non-agricultural working force. If that amount is divided by four, we get \$11 million a year. I use that as an illustration to combat the unfair criticism that agriculture sometimes gets from industrial groups. They rather forget that the government is in this assistance program in a big way. Coal producers are, for instance, assisted to the extent of about \$3 million a year; the steel industry gets a continuous bonus.

Hon. Mr. ROSS: How much assistance does coal get?

Dr. HOPE: I think it is a subvention of \$3 million a year.

Hon. Mr. REID: It is greater than that.

Dr. HOPE: For 1950-51, the public accounts show by vote 458, a payment to move coal and so on, under provisions by order in council, of \$3 million. Assistance was provided for the production of steel and iron of around \$1½ million a year. It has sometimes been higher than that, even \$2 million or \$3 million a year. So, all this financial assistance is not directed to agriculture.

The CHAIRMAN: Are there any further questions?

Hon. Mr. PATERSON: May I ask a question, Mr. Chairman?

The CHAIRMAN: You will get your turn later. Senator Golding?

Hon. Mr. GOLDING: I have a proposition to put to Dr. Hope. When the government undertakes to put in a floor price on farm products, there is always a lot of criticism from other groups as to such action. Do you not think that the government's floor price program on certain products is actually a good investment as far as the consuming public is concerned? If they did not take that action prices would drop, as you have already pointed out and as we very well know, and farmers would go out of production, immediately prices would start to soar until the farmers could get back into production again. I ask you if you agree with me that the government's price support program is a good investment from the consumer's standpoint?

Dr. HOPE: I agree with you; I think it is something in the national interest, in the long run.

Hon. Mr. GOLDING: You spoke of \$10 million being spent on the maintenance of price supports. Will you agree that it is not always the amount that is spent, but the fact that the government is taking that action, that has a stabilizing effect as far as the producers are concerned?

Dr. HOPE: Very definitely. To go back for a moment to the cheese question. It is not exactly a price support action, but it is a pretty good plan. Under the Co-operative Agricultural Marketing Act the government is giving an

advance of 24 cents a pound. The cheese producers or the cheese factories can sell their product on the open market; if that market will take their product at 22 cents or 23 cents, the government will have to make up the difference at the end of the year; but if the market comes up above that price, the farmers would reap the benefit of it. In that way a panic condition is avoided, which might very well result if no form of price support was forthcoming. The farmer might have to sell his product at say 22 cents, and later the price would go up, but he would not benefit by it; whereas, under the present plan he knows that he will not get less than 24 cents a pound. The mere fact that that plan is in force does not mean that it will cost the government anything.

Hon. Mr. GOLDING: And do you agree further with me that any action taken by the government to keep agriculture in a prosperous state is reflected through every industry, and is beneficial to every employee throughout the nation? Or conversely, do you agree that if agriculture is not in a prosperous state, that condition is reflected in all other business across the country?

Dr. HOPE: I think that is correct, with one qualifying exception: If we get into a major depression, I do not think that the mere attempt to maintain agricultural prosperity would necessarily mean that the whole economy would be prosperous?

Hon. Mr. EULER: Hear, hear.

Dr. HOPE: I look at a major depression as being more fundamental than just something to be corrected by price supports, as it were. A major depression puts agriculture in a very precarious position. Such a state would not necessarily be due to lack of prosperity in agriculture, it might be caused by a general decline in business conditions, the falling off of international trade or the collapse of the investment boom, or perhaps the cessation of construction and home building. Therefore, an attack on such a major depression would be to maintain the economy, general employment and investments at a high level, still watching the agricultural situation. Do you see what I mean by that?

Hon. Mr. GOLDING: Yes.

Dr. HOPE: I would not like to over-emphasize the need, although I still submit as a main thesis that it is in the national interest, I believe, that agriculture should not be depressed.

Hon. Mr. GOLDING: You spoke of the United States. If products were going in there from here, that would affect their agricultural prices to an extent that they might take action to prohibit imports?

Dr. HOPE: Yes.

Hon. Mr. GOLDING: If they found it necessary to do so. You do not question the right of the federal government to prohibit imports of any kind if they wish to do so?

Dr. HOPE: No. I think that if any country embarks upon a prices support program for agricultural products, its hands should not be tied to the extent that it has to buy the leavings of all the nations on the basis of its own price support program. That would not be fair. The United States had a price support program on potatoes, and as they look back on it, it would seem that it was a little too high. We were shipping potatoes in there for them to buy and store. It is only reasonable that we should have price support—we had it, for instance, in the case of butter—but it would not have been fair to the government to have to buy all the surplus butter in the world which might try to come in under our support price program.

Hon. Mr. GOLDING: But you agree that they have the right to do that if they wish to do it, under their constitution?

Dr. HOPE: Yes.

Hon. Mr. GOLDING: And you agree that we have, too?

Dr. HOPE: Yes.

Hon. Mr. HAWKINS: The witness has been so painstaking in his explanation that I hesitate to ask this question., But earlier on, Dr. Hope, you used the expression "farm income". I just wonder how that is calculated. I know that it may be a difficult question.

Dr. HOPE: I am glad you raised that question, because it is sometimes confusing to people. There are two types of income figures published by the Bureau with respect to agriculture. One is called "gross cash income from farm marketings", which is the cash which passes through the farmer's hands, and sometimes that reaches, according to the press, a very astronomical figure. Then there is reported, probably at least six months later, a net income figure from agriculture, the net farm income from farm operations, which is the farmer's gross cash income figure which I first talked about, reduced by the estimated total farm costs, including interest on debt, taxes, operating costs and so on. There remains the net income figure to which I referred as being down. I might also add this, that I know that in the net income statement of recent years they have been including inventory changes. If there is a lot more grain and more livestock on the farms in Canada, on hand, and there is a little higher price, even though that increase has not been reflected in increased cash receipts, they give it a value and compare that inventory with what it was a year ago, and if it is up, they put it in as a plus; and if down, they put it as a minus. Now, for the year 1951 we have got an all-time high in net farm income. A very large part of that, I think \$350 millions or more, is an increase in inventory, not cash; so that the farmer's position for cash in 1951 has not been improved as much as appears in the net income, though it will help in following years.

The CHAIRMAN: Have you any further questions, Senator Hawkins?

Hon. Mr. HAWKINS: No, thank you.

Hon. Mr. REID: I have two or three questions regarding the figure of \$10,000,000 given by Dr. Hope as the government contribution to price support. I have always thought, doctor, that the amount of money given by the government in the form of subsidies was also a help to the farmer in the matter of prices, and I know that almost \$17,000,000 was provided by way of subsidies for farm products or to farmers. This of course might mean that a farmer in British Columbia who raises chickens might get some help from that subsidy by way of freight, but it is also a help to him in his production. Am I right in my thinking that the \$17,000,000 should be added to the \$10,000,000 you quoted, making \$27,000,000 given to the farmer, instead of \$10,000,000?

Dr. HOPE: I quoted the \$10,000,000 as being costs of the agricultural prices support program,—which of course is correct. I did not include another figure,—another "subsidy", if you like to call it so. Maybe you are referring to freight assistance on grains?

Hon. Mr. REID: Yes.

Dr. HOPE: You could call that a subsidy, I suppose, but I would not be too sure that a great deal of the \$17,000,000 does not go directly back to the consumer. You may say, "Well, how is that so?". It seems rather odd for me to say that. But figure it this way; if, as a result of the freight assistance program, the livestock producers of Central Canada and the Maritimes and British Columbia have expanded their livestock production, which no doubt they have, then, under normal marketing procedure, the price of these products will be somewhat lower than it would have been if they had not had that increased production.

Hon. Mr. REID: But it would be higher if they had not got that help.

Dr. HOPE: The prices would be higher to the consumer.

Hon. Mr. REID: Yes.

Dr. HOPE: Because there would be a somewhat smaller production. For instance, the Maritime Provinces would definitely be producing less animal products if they did not get this freight assistance on grain all the way out there; and the less animal products produced all over the Maritimes and Quebec and Ontario, the greater the tendency for the market price to be higher, because supply and demand would be reflected a little bit in higher prices. That is something like the wartime experience: very often what we call farm subsidies could very well be called consumers's subsidies. So I would say that a great deal—I do not know how much—of the \$17,000,000 resulted in a somewhat lower price for animal products in Canada. That point is never brought out, but in the long run I think it is true, though in the short run it might not be, but we should consider that in the long run it results in somewhat cheaper costs. I think at one time I figured that it amounted to a difference of two cents a dozen on eggs.

Hon. Mr. REID: I did not want the impression to be created that all the farmers were getting by way of support was \$10,000,000 in price support, because I know that the poultrymen in my province are extremely well pleased at the help given by the subsidy, and if they had to pay more the returns to them would be less.

Dr. HOPE: You mean, British Columbia.

Hon. Mr. REID: Yes. It has been a great aid to them, and they are fearful lest it should stop.

Dr. HOPE: Yes.

Hon. Mr. REID: The other question is this: has agriculture given any thought to the full implications of price support? I know that, in asking for price support, farmers generally—and I am not faulting them, because I am one myself, for wanting a higher ceiling—have found in our province that if prices go up to a certain extent for farm products you will have not only increased production, but you will find hundreds of people coming in to what seems to be a rather lucrative business. This in turn poses a great problem to the government and to the economy of the country. We are an exporting country, and of course our surplus food has to find markets abroad. Is not that one of the dangers of raising prices too high?

For instance, I will take eggs. The poultrymen in British Columbia would like 45 cents a dozen. Those of us who know anything at all about the business realize that if you put it up to 45 cents every Tom, Dick and Harry will go into the poultry business and the production of eggs would increase and the present surplus would be doubled within a year.

Hon. Mr. BEAUBIEN: And there are too many in the business now.

Hon. Mr. REID: I am wondering if agriculture itself has given any thought to this. When determining the ceiling price they may be imposing a great burden on the economy of the country by going too high.

Dr. HOPE: I agree that you could have price support at so high a level that you would not bring about the necessary adjustment in production that you need. I would say that the real top leaders in the farm movement have been reasonable. They know sometimes adjustments are necessary and they are willing to face these necessary adjustments. At the same time I know that this is not always the case with the rank and file of farmers. They do not always understand, but on the whole the agriculture leaders across Canada, no matter what province they are in, have steered the farmers in the direction of reasonableness as far as they possibly can. It is like in any labour move-

ment. Sometimes a few of the labour people are a little excessive in their demands. Possibly some of the labour leaders themselves are more reasonable, and the policy is generally made by the more reasonable people. There is a danger here, of course, but I think we realize it.

Hon. Mr. REID: I have a question to ask about the home market. The farmers are competing with such products as beef, mutton, chicken, pork and cheese against fish, particularly on the two coasts of Canada. It is a well-known fact that we are not consuming enough cheese or fish, having a very low consumption of fish. If people began to eat more fish they would eat less beef and so on. My question is, could our home markets consume more of our products?

Dr. HOPE: It is a good question and something I have been interested in myself. I would say that there are serious limitations to an overall expansion in the consumption of agricultural products in Canada, unless there is an increase in population and increases in the incomes of the lower income groups. I would say that the majority of people in Canada are well fed and if, as you say, we push the sale of one product here we may tend to offset the sale of another product there. I think that is a reasonable assumption to make. We might possibly drink more milk and drop off on our consumption of pop, but there are limitations on how much you can do. The real job is to try if you can to raise the income of the lower groups. I think that the children's allowance has helped to expand the consumption of food for the lower income groups. I do not know how much further we can go in that direction.

Hon. Mr. HAIG: What happened to the potatoes in the Maritime Provinces last year? Why was there such a drop in production?

Dr. HOPE: It has been claimed that the price support program was not quite generous enough there, and they did not have a favourable yield from their crop and that caused a reduction. Some have said that if the price support had been a little more generous they would not have reduced 30 per cent and therefore there would not have been as great a scarcity. That argument has been used.

Hon. Mr. HAIG: Do you advocate the price support as a permanent policy or just for a transitional period?

Dr. HOPE: As a permanent policy.

Hon. Mr. HAIG: Not a transitional period?

Dr. HOPE: No.

Hon. Mr. HAIG: Would you say that your cost of production in 1925-29 was on a par with the cost of production in 1946-7-8?

Dr. HOPE: The best years were 1947-48.

Hon. Mr. HAIG: The 1951 costs are back to par?

Dr. HOPE: Yes. That is costs compared with prices received were back to a parity.

Hon. Mr. HAIG: How does your income compare with the income of other groups?

Dr. HOPE: In other words, you might say the income per capita in agriculture compared to the non-agriculture income per capita?

Hon. Mr. HAIG: Correct.

Dr. HOPE: That is what I call parity income. Going back to the pre-depression period of 1925-29 and comparing it with the period of 1942-48, the average in those years reached parity between the two groups. Some years we were up a little bit and some years we were down a little bit. In 1951 our income figures were slightly above parity as compared with the other groups. There again it was based on a big crop. It looks as though it will

fall below that again in 1952. On the whole, we have had a remarkable balance. If you look at the figures you will see that we have had a remarkable balance between agriculture and non-agriculture pursuits since 1942.

Hon. Mr. HAIG: Would you say that the average crop production in Manitoba, Saskatchewan and Alberta in grain would be fifteen bushels per acre over the years?

Dr. HOPE: I think that is the long-term average for the last ten years?

Hon. Mr. HAIG: What is the long term average for the last ten years?

Dr. HOPE: It has been closer to about eighteen, I think.

Hon. Mr. HAIG: It is high.

Dr. HOPE: Yes.

Hon. Mr. HAIG: That is higher than the average by three bushels?

Dr. HOPE: Yes, it is higher than the long-term average

Hon. Mr. HAIG: And the prices have been much higher?

Dr. HOPE: Yes.

Hon. Mr. HAIG: Twice as high, the average?

Dr. HOPE: That is the average price of wheat to the farmer?

Hon. Mr. HAIG: Yes.

Dr. HOPE: Since about 1942?

Hon. Mr. HAIG: Yes, compared to 1921 to 1930?

Dr. HOPE: Well, it is pretty close to twice as high.

Hon. Mr. HOWDEN: I have a very simple question. Dr. Hope, in the comparatively recent past the one-way disc has taken the place of the mouldboard plow and the sprinkling system has largely come into use. How would you compare modern results of production with former results?

Dr. HOPE: I would say, first of all, that the farmer is a very intelligent individual, despite what some people may say, and over a period of time if the farmer has made a change in his techniques, that is the right direction. This is a general answer, I know, but I always come back to it. If we find that the farmer switches from the mouldboard plow to the one-way disc and then to the one-way disc with seeder attachment, which was the next development, and then with the fertilizer attachment, it is because he has seen that it is the wise thing to do. If the farmer switches from flood irrigation to sprinkling irrigation, then he has found from being shrewd that that is the best system in the long run, and not only will the farmer benefit from it but eventually society as a whole will gain from it.

Hon. Mr. HOWDEN: You think that the results warrant these changes?

Dr. HOPE: I think so.

Hon. Mr. GERSHAW: The sheep men in southern Alberta have taken an awful beating, especially the trimmers. Do you hold out any hope for the sheep prices improving?

Dr. HOPE: Not very much, I am afraid, because sheep prices move in cycles like other livestock prices and production. In the last two or three years prices of lamb and of wool have been very profitable, both in the United States and Canada. Every now and then we used to read about the great interest in sheep, and a farmer would write a letter saying that he made most of his money out of sheep. And occasionally somebody would say "When I retire I am going into sheep." Also, bankers would say to farmers, "What you should have are a few more sheep." Generally speaking, that sort of thing is a pretty good indication that sheep are extremely profitable, compared with other farm products. But in a free system that situation never lasts; and adjustment takes places. I think perhaps we are on the road to an adjustment in the

sheep situation now. Of course, there is the competition of synthetic products with wool, for new synthetic products are coming out all the time. So probably there will be a readjustment.

The CHAIRMAN: Senator Stambaugh?

Hon. Mr. STAMBAUGH: You spoke of the number of people who are employed in the agricultural industry. How do you arrive at your figure? Do you take into account the children who work at home? As a rule, the children of school age on a farm milk cows, feed chickens, and so on. Are these people counted?

Dr. HOPE: The census reports show somewhere about 670,000 farms in Canada. Each one of these has an owner who works on the farm, and some have a hired man.

Hon. Mr. EULER: And the farmer's wife works on the farm.

Dr. HOPE: Yes. But I think that the labour force survey which is made every three months by the Gallup poll sampling method does not include wives as workers. The survey includes the hired man, the owner and a son over fourteen who is working full time on the farm.

Hon. Mr. STAMBAUGH: If he is going to school he is not counted?

Dr. HOPE: I would not be too sure about that, but I am almost certain he is not counted. If he milks cows in the morning, let us say, before he goes to school, I think he would not be included in that survey as a farm worker.

Hon. Mr. STAMBAUGH: There is no other industry that employs the family as the farming industry does.

Dr. HOPE: No. And the consumer is the one who reaps the benefit. Most farm products in the world are raised by families. Perhaps it could be safely said that nine-tenths of the food eaten in the world is produced not by hired labour but by families. For that reason, one family competes against another, with no limitation on hours of work and no membership in labour unions or anything of that kind. That explains why farm produce generally is relatively cheap. You may not think so, but it is.

The CHAIRMAN: Any other questions?

Hon. Mr. STAMBAUGH: No.

The CHAIRMAN: Senator Isnor?

Hon. Mr. ISNOR: Mr. Chairman, for one who does not know much about farming this morning's meeting has been a real education. In Nova Scotia we have for a long time depended on Senator J. A. McDonald for any information that we require. However, I have one or two questions. First, Dr. Hope, can you tell me roughly what is Canada's total agriculture production value?

Dr. HOPE: I am sorry, I cannot answer that.

Hon. Mr. ISNOR: Then you are unable to tell us what is the total agriculture production value for Manitoba, Saskatchewan and Alberta?

Dr. HOPE: That is so. The net farm income is a different figure from the total value of production. The net farm income is around \$2 billion, but that is not the total value of production. They do compute a figure called the value of production, but it is not used very much; they use the net farm income.

Hon. Mr. ISNOR: You have the production value, have you not?

Dr. HOPE: The Canada Year Book gives the value of production. There is likely to be quite a bit of duplication however in the figure, I think.

Hon. Mr. ISNOR: You made a reference to the subsidy on coal to the Maritimes. Now, the total estimates for the Department of Agriculture are roughly \$60 million. You dealt with only the floor price support, but I think

that if you total all the assistance given to agriculture you would find a figure something like \$40 million, or two-thirds of the total estimates going to assist agriculture.

Dr. HOPE: Per year, do you mean?

Hon. Mr. ISNOR: Yes.

Dr. HOPE: Are you including there the administrative costs of the Department of Agriculture?

Hon. Mr. ISNOR: No. I am referring to the cost of all assistance, in various forms, such as price support and so on, and the marketing service.

Dr. HOPE: What do you mean by marketing services? The cost of them must be part of the administrative costs of the Department of Agriculture.

Hon. Mr. ISNOR: Yes, but still those services are an assistance to agriculture.

Dr. HOPE: The marketing division of the Department of Agriculture has to do with the entire nation. I would not say that agriculture gains any more from that than consumers do. That division administers the acts for marketing farm products, it administers the livestock yards, and so on. It would be stretching it a little bit to say that this service is of assistance to agriculture specifically.

Hon. Mr. ISNOR: Considering the wealth of three prairie provinces, some of these items are interesting.

Dr. HOPE: The unfortunate part about the prairie provinces is that although their total income from agriculture is large, as compared with the agriculture income in the Maritimes, there is no other place in Canada where you have such extreme conditions to contend with from year to year, and not only from year to year but over a long-time period. Take for instance on the Regina plains, and around Melfort: the long-time average yield runs from 20 to 25 bushels per acre, but you have other areas where the long-time average may be only eight or nine bushels. That is sometimes the basis for help to those regions. If some of these regions are hit by drought their yield may be cut to zero. Now in the Maritimes there are no places where climatic extremes could bring about a zero income.

Hon. Mr. ISNOR: I have no further questions, but I would like to make an observation. Because of the opinion prevailing in certain sections of Canada about the small subsidy that we in the Maritimes get in the way of assistance on shipments of our coal by rail, I think it is only fair that we should know exactly what assistance is given to the three prairie provinces. It would appear to be a very large amount.

Hon. Mr. HAIG: That is not fair; he did not give that answer.

Hon. Mr. ISNOR: The figures bear it out.

Hon. Mr. HAIG: You did not get the figures. For every bushel of wheat sold in Manitoba, Saskatchewan and Alberta the farmers pay the costs of it themselves.

The CHAIRMAN: Senator Lambert?

Hon. Mr. LAMBERT: Before asking a few questions, may I remind you, Mr. Chairman, that Senator Paterson has something he wants to say, and he has not had an opportunity to do so. Would you hear his question before I start?

Hon. Mr. PATERSON: Before asking a question I would like to make an observation, and I should like the Press to refrain from noting it. I have in mind an elevator on Lake Huron carrying 550,000 bushels of United States barley. It has been there for four years at a cost of about \$5,000 a month, or a total cost over the four years of \$250,000. Now, the costs of carrying grains above the supply and demand has not yet been presented to the Canadian

government, and it will not be presented until the surplus is disposed of. Only a limited amount of wheat can be disposed of, and even when it is fed, it is more or less at the expense of a market for oats and barley. Until the storage is paid and the surplus is disposed of, the bill will not be presented to the Canadian government, nor to the United States government. I should like to ask Dr. Hope, how long can a government support prices beyond the law of supply and demand?

Dr. HOPE: First of all, the grain you refer to is American grain?

Hon. Mr. PATERSON: That is American grain. I only cite that instance as an example.

Dr. HOPE: I would say the question is a difficult one to answer, since it is mostly a political question. Any government could carry a price support program beyond the law of supply and demand as long as the taxpayer were willing, presumably, to keep it up.

Hon. Mr. PATERSON: But you agree with me that the bill for price support has not been presented?

Dr. HOPE: That is true. But are you talking in terms of Canadian farm products?

Hon. Mr. PATERSON: Yes. I say that not until the surplus is disposed of will the bill be presented for the cost of price supports.

Dr. HOPE: That is true. But virtually up until 1951 all the products we had bought under price support had been sold. That applies to supports on apples, potatoes, skim milk products, eggs and butter. Those products were sold, the books were closed, and a cost was shown of \$11 million for those five or six years. True, we are now starting a new year, and the government has embarked on a system with respect of marketing of hogs, cattle and cheese; and we will not know until the books are closed just what the cost will be. It has not been a very expensive operation so far, and I do not think it will be expensive in the future, so long as we can maintain full employment in Canada. That is fundamental.

Hon. Mr. PATERSON: There is a surplus of probably \$275 million bushels of wheat this year, and with another 500 million crop this fall, do you anticipate that we will have a burdensome surplus?

Dr. HOPE: If we get 500 million bushels this year, we certainly will have a burdensome surplus, but that is a very big crop.

The CHAIRMAN: Are there any further questions?

Hon. Mr. PATERSON: That is all.

The CHAIRMAN: We will get back on the rails again. Senator Lambert?

Hon. Mr. LAMBERT: If I may, I should like first to correct a statement made by Senator Horner about the lack of cheese in the parliamentary restaurant. To my knowledge, the restaurant has about the best old Canadian cheddar cheese I get anywhere, and it has been available every day. In order to do justice to this portion of the consuming community, I think we should not allow that impression to pass.

The CHAIRMAN: Order. We are not going to get into debate back and forth on that question.

Hon. Mr. LAMBERT: Well, you agree with me, Mr. Chairman? You eat cheese.

The CHAIRMAN: We are not going to allow a discussion between you and Senator Horner.

Hon. Mr. HORNER: Well, since my name has been mentioned, there is a great scarcity in this country of—

The CHAIRMAN: I am going to shut off this discussion. Have you any other questions?

Hon. Mr. LAMBERT: Senator Golding, in addressing you, did so on the basis that the prosperity of agriculture is basic in our economy. In the terms of the old phrase, it is the backbone of Canada. Would you interpret that phrase exclusively and entirely in economic and financial terms?

Dr. HOPE: I would not want to exaggerate the position of agriculture in our economy. I presume that, roughly, about one-quarter of our productive effort is agriculture; of course, at the time of Confederation, it might have been 70 per cent, or perhaps 60 per cent. Therefore, the impact would have been more important in those days than it is today.

Hon. Mr. LAMBERT: I understand that roughly 40 per cent of our population live in the rural areas?

Dr. HOPE: It is less than that. There would not be more than 25 per cent on the farms, and it is going down all the time in proportion to the total.

Hon. Mr. LAMBERT: But that would not include the rural villages?

Dr. HOPE: No; I am speaking of the people who live on farms. Our working force is about 20 per cent, or one-fifth of the total, as I quoted earlier. It would not help agriculture any to exaggerate its importance, although we still feel it is a basic industry, like forestry or mining.

Hon. Mr. LAMBERT: The point I am trying to bring out is that there is a social side to farm life, which is just as important I think, and probably more so, than the economic side which has been stressed here to the exclusion of everything else.

Dr. HOPE: Yes. A large proportion of our workers in professions and industry are continually coming from the farms. There is a continuous flow away from farms. We have found on the whole that they have obtained a certain amount of training and stability in agriculture, which benefits society as a whole, and which we would not get if we were not an agricultural country.

Hon. Mr. LAMBERT: There is no doubt that we have physical evidence of it in the industrial life of Ontario. Old Ontario has been founded and developed by the sons of farmers.

Dr. HOPE: Yes.

Hon. Mr. LAMBERT: But if only 25 per cent of the people of this country live on farms, it is stretching the point pretty far to overemphasize the economic and financial importance amongst 25 per cent of the people against the activities of 75 per cent. However, I do think that when you talk about agriculture being the backbone of Canadian life, that the social importance—to use a rather hackneyed phrase—is something that deserves some attention, as well as consideration of the dollars and cents aspect of it. Farm incomes, I presume, take into consideration an arbitrary figure for the amount of food consumed on the farm by the farmer and his family.

Dr. HOPE: Yes; they give that as a credit to the farm, not at the retail price of the product but at its selling price. It is based on census data and annual estimates.

Hon. Mr. LAMBERT: It is a sort of Gallup Poll.

Dr. HOPE: That is right. I may say that there is included also a figure for rent, as part of the income from the farm.

Hon. Mr. LAMBERT: There has been a good deal of argument about the adequacy of the figures in relation to farm income. I know we had officials from the statistical branch here, and they quite frankly stated that they are trying to establish a cost-of-living index for the rural part of Canada; that the one

which is produced now is entirely an urban and industrial picture; so that there must be a good deal of difficulty in getting an adequate picture regarding farm income. But, regarding governments and price support, how far should the Government of Canada be guided by agricultural prices elsewhere in the world on similar products?

Dr. HOPE: Well, I believe that when they do set a price support program they take into consideration the domestic prices at home, our own domestic market, and those of competing products in other countries. There is always the possibility of sending products into this country, and the possibility of us exporting our surplus products to another country.

Hon. Mr. LAMBERT: You think that is the guiding factor?

Dr. HOPE: Of course I don't know how they exactly decide. We ask for a certain thing, we talk it over with them, and they make their final decision. I believe they have been influenced definitely by prices, for instance, in the United States.

Hon. Mr. LAMBERT: Do you think that would apply to New Zealand butter?

Dr. HOPE: I think they sort of looked at that, paid some attention to it. I think that has some bearing, undoubtedly.

Hon. Mr. LAMBERT: I suppose there is no immediate prospect—you would agree with this, I am sure—of the home market in Canada being large enough to consume all the agricultural production of this country?

Dr. HOPE: That is right, yes.

Hon. Mr. LAMBERT: That would apply, certainly, to grains, to wheat, and to livestock.

Dr. HOPE: To some extent, yes. It would apply to beef.

Hon. Mr. LAMBERT: If that is true, should not the policy of subsidies on agricultural products be regarded as a temporary expedient, pending the re-establishment of a larger measure of international trade?

Dr. HOPE: Yes, I think I would agree with you there. Take, for instance, the cost of beef. We have shipped across to the United States for many years our surplus without any subsidies or anything else. We have paid the freight and tariff on a free market, and we have done pretty well. The present price support of \$25 per 100 lbs. for instance, is a temporary thing. Once we get rid of the present temporary obstacles we should be able to compete on fair terms with American producers again; and I would not think we would need to have that price support permanently. I think leaders of the farm movement look on this in the same way.

Hon. Mr. LAMBERT: I think that is a good thing. I think it is very important that we should realize that the policy of the government on floor prices has been developed largely as a result of the war and all the disruption that has occurred internationally as the result of the war, the disparity between currencies, such as the sterling bloc and the American-Canadian dollar. You would agree that the only thing that can overcome those obstacles or worries today is a renewal of international trade?

Dr. HOPE: Very definitely. It is difficult to get it done, I know.

Hon. Mr. LAMBERT: That is what you have got to look forward to?

Dr. HOPE: May I digress for one moment? I think this is a rather fundamental thing, and yet I cannot express it very well. Europe is going into planning on a big scale; they call it "social planning"; that, of course, includes Britain, France and Italy and other European countries; it is often called socialism. I may be wrong, but I believe that their productivity per man will decline relative to our own; it won't go down absolutely, but the relative position of the productivity of the worker in America and Europe is a gap which will

widen, apparently, I think, because that system will not be as efficient in the long run as our own. If that is the case, according to the classical theory, trade would continue in spite of that widening gap of efficiency, by means of variations in our exchange rates and our price levels. But the world today does not seem to want to face such things as variations in exchange rates; nations prefer to hold them rigid and control the economy within the country, and impose import and export controls, and try to block currencies and limit imports; and in face of the trade situation and the declining productivity over there relative to North America, our trade falls away. That is a very pessimistic outlook, but that is my own personal opinion; it is never mentioned in the Federation. Therefore I feel that the world is going through a very strange situation, of one-half of the world going into planning, and a good portion of it so far not doing that; and we are trying to trade in a free way with a group who are not inclined to trade that way. That is one of the basic troubles that we face today. I do not know the answer, my friends. I just do not know where it will finally lead us to.

Hon. Mr. LAMBERT: Following out your pessimistic analysis of the situation: if there is no light in sight at all, the reaction of that situation on this country will probably be more serious than on almost any country you can think of, because of our potential productive capacity?

Dr. HOPE: Because we are a nation of traders and we have a big export surplus.

Hon. Mr. LAMBERT: Then this insistence on the part of agriculture in its demand for floor prices may continue, because you see no end to these conditions you have referred to?

Dr. HOPE: It may force us to have freer trade between north and south.

Hon. Mr. LAMBERT: That might be the relieving factor, that is if we are shut out from the rest of the world?

Dr. HOPE: Yes.

Hon. Mr. LAMBERT: That is practically all I want. One concluding question. The term "consumer" was used here—has been used right around in this discussion, in a rather invidious way; that is, the rural and farm population on the one hand, and the consumers on the other. I think that the 25 per cent must be regarded as belonging to one body of consumers in this country, the same as any other, because that is the only common measuring rod you have,—to regard all consumptive capacity as one thing, regardless of class or economic interest. I think you will agree with that, generally?

Dr. HOPE: Yes, I would.

The CHAIRMAN: Is that all, senator?

Hon. Mr. LAMBERT: Yes.

Hon. Mr. EULER: Mr. Chairman, fortunately for the committee I am at the end of the line because some of the questions that were in my mind have been answered or partly answered, but I should like to ask one or two questions and perhaps be permitted to make a comment or two. In the first place, a question was raised by Senator Beaubien about the higher costs encountered by the farmer today. I should like to ask what is the ratio between the higher costs of production and the very much higher prices you have been receiving for your products? Take, for instance, wheat. Does the one compensate the other, or what would you say in regard to that?

Dr. HOPE: I would say for most farm products the higher prices we have received within recent years have compensated for our higher production costs.

Hon. Mr. EULER: They have a little more than compensated, would you not say?

Dr. HOPE: Yes, but again you have to take into consideration the time element. For instance, right now farmers are losing on the production of cheese at 24 cents a pound.

Hon. Mr. EULER: I am referring to the overall picture.

Dr. HOPE: Yes, I would say that prices have increased enough to compensate for the rising costs of production. However, in this year of 1952, the prices on animal products are going the other way.

Hon. Mr. EULER: At the outset the discussion was pretty much with regard to the policy of price support, but we went quite a bit away from that and I would hope that the impression would not go forward from this committee meeting that all the assistance which the agricultural community has received has only amounted to \$10 million in the last five years. It has been stated that the amounts of subsidies and so on have not been included in your \$10 million, and that must obviously be so. I do not like to provoke my honourable friend, Senator Haig, into trying to balance accounts when I say that it is only fair to comment that apart from the \$10 million there have been literally hundreds of millions of dollars that have gone out of the federal treasury to assist the farmers, particularly in Western Canada.

Hon. Mr. HAIG: We have not got any of that. You get your grain cheaper because they pay the freight on it.

Hon. Mr. EULER: I do not want to get into any controversy, but the small amount of \$10 million does not really cover the whole situation. I might mention that last year out of the federal treasury the western farmers got \$75 million.

Hon. Mr. HAIG: \$65 million.

Hon. Mr. EULER: Well, \$65 million.

Hon. Mr. HAIG: Well, you stole it from us in the first place.

Hon. Mr. EULER: The assistance given under the Prairie Farm Assistance Act ran into many millions of dollars.

Dr. HOPE: May I make one comment about that \$65 million? The western farmers have felt for a long time, and still do, that they have been subsidizing consumers of Canada through selling domestic wheat at lower than world prices. With respect to the Prairie Farm Assistance Act—and I think I know something about that because I was chairman of the Board when it first started operating—it is true that this assistance has amounted to \$5 or \$7 million in some years—I think it was \$10 million one year—but the farmers themselves contribute 1 per cent towards that. I can say that in the province of Manitoba they have paid out more than they ever got back from it.

Hon. Mr. HAIG: Right.

Dr. HOPE: The situation is almost the same in Alberta. As a rule, Saskatchewan is the province which gets a little more than they put into it. In the case of all these subsidies, I do not think you can specifically say that a subsidy is going to a certain individual or a certain group because anybody who has been through a drought area in Saskatchewan realizes that when you get an extra \$5 million or \$6 million going into agriculture there as a result of government assistance, the money flows through the pockets of everybody. It does not stay in the pockets of the man who originally gets it. It goes to the preacher and storekeeper and to the school teacher, and some even goes to the provincial government through taxation collections. The money finds itself flowing through the entire system. Even the machinery companies get some of it because the farmer can pay for his equipment and repairs and so on. I know that we like to balance one thing against the other, but I think we have to be fair in this matter.

Hon. Mr. EULER: I do not want to get into any argument as to whether the western farms were entitled to \$65 million, but there is no doubt that money went out from the federal treasury in regard to that and it has to eventually come out of the taxpayers' pockets. This is also true of the Prairie Farm Assistance Act. Then there is the Crow's Nest Pass rate which has saved the West—

Hon. Mr. HAIG: Not a dollar.

Hon. Mr. EULER: Well, the point of my argument is that I do not want the idea to go forth in the report of the proceedings of this committee that \$10 million covers the assistance given to the agricultural community. That is the point I want to make. I do not want to bring up any arguments about subsidies on potatoes or apples or anything else. Dr. Hope has said that he is in favour of price fixing—

Dr. HOPE: No.

Hon. Mr. EULER: —as a permanent policy.

Dr. HOPE: No, I said I was in favour of price support, and there is a very big difference. There is a major difference. I am very much opposed to price fixing.

Hon. Mr. EULER: Are you in favour of subsidies as a permanent policy?

Dr. HOPE: May I just explain very briefly the answer to the first question in respect to my being in favour of price support as a permanent policy. I do not mean to say that we must have a price support declared each year on every product in Canada; I mean that we should have permanent legislation, like we have today, which we can use when we need.

Hon. Mr. EULER: In the case of an emergency.

Dr. HOPE: I am in favour of a permanent price support policy but it does not mean that we always have to have a price support tag on all products. If we did that we would get into controlled prices and I am not in favour of that.

Hon. Mr. EULER: Are you in favour of subsidies?

Dr. HOPE: Subsidies only under certain circumstances.

Hon. Mr. EULER: Again in the case of an emergency?

Dr. HOPE: Yes.

Hon. Mr. EULER: Well, you have answered my question because I would like to say that I am definitely and unalterably opposed to any permanent price control policy or price fixing policy, or any permanent policy with regard to subsidies. I think it is all wrong and is travelling in the wrong direction. Now, I think Dr. Hope has said that there are engaged in the farming operations of this country some million people.

Dr. HOPE: There are a million agricultural workers.

Hon. Mr. EULER: I think you also said that there are five million workers altogether in Canada, and that would mean there must be some four million industrial and other workers. Senator Lambert has pointed out this disproportion and the danger of exaggerating the importance—if that were possible—of the agricultural end of our economy. I think that point might be emphasized. When he was speaking I was thinking of what is usually called the consumer of this country. We are extending a good deal of assistance, and perhaps properly within certain reasonable limits, to agriculture. Agriculturists are the producers of food, and of course food is necessary for the survival of everybody. But a man does not live by bread alone. I come from an industrial community and our people are just as much interested in the prices they have to pay for food as farmers are in the prices they receive for their products. That fact should not be lost sight of by us. No one has any prejudice—I know

I have not—against the farmer; we are all willing to admit the tremendous importance of agriculture in the national economy, but let us not lose sight of the fact that in this country there are others who are just as much entitled to consideration as farmers are. Producers of manufactured goods may sometimes have difficulty in disposing of their products, but I have never heard of anybody coming to their assistance by fixing prices for their products.

An Hon. SENATOR: What about the tariff?

Hon. Mr. HAIG: Mr. Chairman, I hesitate to object, but Senator Euler is making a speech instead of asking questions.

Hon. Mr. EULER: Well, I will ask a question, although I think I know the answer to it. Judging by the discussion we have had this morning, Dr. Hope, do you think that we have rather overemphasized the position of agriculture as compared with the position of all other industries in Canada?

Dr. HOPE: No, I do not think so.

Hon. Mr. EULER: That is the answer I expected.

Dr. HOPE: I am here today representing agriculture, and concentrating on the one thing.

Hon. Mr. HOWDEN: Hear, hear. We are discussing agriculture.

The CHAIRMAN: Have you any further questions, Senator Euler?

Hon. Mr. EULER: No.

The CHAIRMAN: I have one or two questions myself.

Hon. Mr. HORNER: Mr. Chairman, I took very little time before and I think I should be permitted to ask a question or two now with regard to western Canada. In western Canada we were prohibited for about eighteen months from shipping out beef. We took 11 cents a pound when we might have been able to get 33 cents, and I estimate that the people whom Senator Euler has been talking about, the consumers in eastern Canada, and other consumers were assisted by the West to the extent of \$100 million.

Hon. Mr. EULER: Mr. Chairman, Senator Horner is making a speech now.

The CHAIRMAN: Order. Do not make speeches.

Hon. Mr. HORNER: What about the people who are farming on certain types of land? You know about conditions in western Canada, Dr. Hope. You know that in certain sections many farmers follow the practice of summer fallow every other year; so they have two years' taxes and other expenses against one year's crop off the land.

The CHAIRMAN: The Chairman would like to ask a few questions now, if he might be permitted to do so. I would like to ask Dr. Hope this. Dr. Hope, you favour the subsidizing of the freight movement on coarse grains to British Columbia and eastern Canada?

Dr. HOPE: Yes.

The CHAIRMAN: Does that discriminate against the western producers of livestock?

Dr. HOPE: It does tend, I suppose, to help eastern producers to produce livestock a little more cheaply than they otherwise could.

The CHAIRMAN: Would you say that for the purpose of establishing a basis of equality the freight on the finished products of hogs and cattle should also be paid by the federal government?

Dr. HOPE: You mean that because assistance is given on freight costs on grain shipped to the east, the government should therefore assist on the cost of shipping livestock to the east, as a compensating factor?

The CHAIRMAN: Yes.

Dr. HOPE: Well, that would perhaps be putting the assistance on a fairly narrow accounting basis, trying to offset the apparent gains of one branch against the apparent gains of another, as in a bookkeeping entry. I doubt if that would be any solution to what you may regard as an equality. There are many gains to western Canada, I believe, as a result of the assisted shipments of grain to the east.

The CHAIRMAN: Would it not be desirable to increase livestock production on the prairies so as to diversify production there?

Dr. HOPE: I doubt it very much. I lived in Saskatchewan for fifteen years. Long before I went there they talked about diversified agriculture—professors talked about it, the wheat pool people talked about it, and newspaper editors talked about it—and the discussion has gone on and on, but still farming out there is not diversified, except in parts of the country naturally adapted to it, in parts of Manitoba and Saskatchewan. I cannot see how the vastly larger proportion of the great plains area could ever become much of a livestock country.

Hon. Mr. ROSS: Before you leave that point, may I ask a question?

The CHAIRMAN: I want to finish my questions, if I may. Do you think, Dr. Hope, that a high rate of taxation—municipal, provincial and federal taxation—adversely affects agriculture?

Dr. HOPE: That is, the present rates of taxation?

The CHAIRMAN: Yes, the present rates.

Dr. HOPE: No, I do not think the present rates of taxation adversely bear unduly on agriculture. I have one little qualifying statement to make on that, though. In highly industrialized areas, as in the neighbourhood of large cities in Ontario, and in other provinces—near to Winnipeg, for instance, and Vancouver—there is one type of burden that has fallen heavily upon farmers. That results from the tendency of city people to move out along the highways and build small homes on a small piece of land, perhaps an acre or half an acre. To take their children to school, buses run around the highways and pick them up, and the school taxes are raised to pretty high levels. That has resulted in an undue burden on the typical farmer in those municipalities. I believe that problem will become greater as we become more urbanized, and I do not see how we can get around it. The high taxes have driven some farmers off the land in those areas. However, that is not a general or overall picture.

The CHAIRMAN: I take it that you favour the application of the principle of subsidies where needed.

Dr. HOPE: Yes, if a subsidy can be shown to be in the interest of not only the group being directly helped but of the nation as a whole. It is not always possible to show that. The subsidy on gold, for instance, is certainly of help to the people in the industry, and it might be possible to establish the fact that it is better to keep that industry going than to allow it to disappear.

The CHAIRMAN: The justification for the gold subsidy was that the price of gold was fixed by the government, and is in a measure still fixed. Just one further question: A great many local corner merchants in towns and cities have difficulty carrying on, and many are going-out of business. Would you favour a subsidy to keep them in business?

Dr. HOPE: No. If there is a definite economic reason why there should be a permanent change, then there is nothing to be gained by putting in a subsidy to buck the normal economic change. I do not believe that we in Agriculture would support a subsidy program that would block a fundamental adjustment that should be made.

The CHAIRMAN: Would you agree, Dr. Hope, that a certain percentage of farmers who are efficient, up to date and modern in their farming practice could get along without subsidies?

Dr. HOPE: When you say subsidies, I suppose you mean periodic assistance?

The CHAIRMAN: For instance, price supports, or subsidies on the movement of freight and other things.

Dr. HOPE: Yes; you could always say that in any group of workers, whether agriculture, labour, industry or civil servants, there is always the top one-third whom nature made efficient, or they had some fortuitous circumstance as well, and they can get along by themselves. The rest—probably the majority—can't.

The CHAIRMAN: Would I be right in saying that subsidies would be necessary for the inefficient?

Dr. HOPE: Not exactly the inefficient—the average; it is necessary for the bulk, the majority.

The CHAIRMAN: I know a great many farmers personally, because I have a wide range of acquaintanceship amongst them. Many of these farmers are efficient and can paddle their own canoes, while many more who, whether they are shiftless, lazy or lack the capacity for management, are inefficient. There is doubt in my mind as to whether when we come to applying subsidies we are really bonusing the inefficient against the efficient.

Hon. Mr. HAIG: I move we adjourn.

Dr. HOPE: Before you adjourn may I read just two paragraphs from an article I picked up this morning, written by O. B. Jesness, a very level-headed and highly respected agricultural economist from the University of Minnesota? It reads:

While prospects are favorable, it would be foolhardy to declare that depressions are gone forever. Without foreseeing another 1932, there are likely to be periods of considerable slump. Farmers do not cause depressions. They find it difficult to adjust to such conditions.

There is no gain in allowing markets to become demoralized and in putting efficient operators through the wringer. There is unemployment insurance to help tide workers over periods of inactivity. Measures are taken to aid business; relief programs are stepped up to soften the blow. Agriculture likewise is entitled to some protection against the worst of major depressions.

The CHAIRMAN: May I thank you, Dr. Hope, for coming and giving us of your thoughts on the subject of agriculture today.

The Committee adjourned.

1952

THE SENATE OF CANADA



Government
Publications

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953.

No. 6

WEDNESDAY, MAY 28, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. E. P. Murphy, Deputy Minister, Department of Public Works.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1952

THE STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

The Honourable Senators:

Aseltine	Fogo	Paterson
Baird	Fraser	Petten
Barbour	Gershaw	Pirie
Beaubien	Golding	Quinn
Bouffard	*Haig	Reid
Buchanan	Hawkins	*Robertson
Burchill	Hayden	Roebuck
Campbell	Horner	Stambaugh
Crerar	Isnor	Taylor
Dupuis	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien (36)
Farris	McDonald	50 Members

(Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 28, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators:—Crerar, Chairman; Aseltine, Barbour, Beaubien, Euler, Fafard, Gershaw, Golding, Hawkins, Horner, Isnor, King, Paterson, Reid, Stambaugh and Taylor—16.

Consideration of the order of reference of March 26, 1952, was resumed.

Mr. E. P. Murphy, Deputy Minister, Department of Public Works was heard.

At 1.00 p.m. the Committee adjourned until tomorrow, Thursday, May 29, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Wednesday, May 28, 1952.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1953, met this day at 11 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: Gentlemen, it being 11 o'clock, we will come to order.

I wish to report to the committee that I have received a letter from Dr. Slichter of Harvard University, to whom we had extended an invitation to appear before the committee and give his views on the effect of taxation on inflation and deflation, and on the economy generally. He regrets very much that he is unable to attend, but he is kind enough to say that he would have enjoyed very much appearing before the committee, but that other duties have made it impossible for him to do so.

I circulated the other day the matters which will be considered at subsequent meetings of the committee down to June 12. Today we are to consider the estimates of Public Works. I was assured that Mr. Murphy, the Deputy Minister, would be here, and I believe he is on his way. Before he arrives I might inquire as to the procedure by which we should conduct this examination. Members have before them a sheet containing the analysis of Public Works expenditures under various headings. Should we proceed to examine it according to this analysis, or should we take the items as they appear in the blue book? I would suggest that we could get a sufficient range for our questions—and we have only today to consider this matter—if we took it from the large sheet. Do you agree with my suggestion?

Some Hon. SENATORS: Agreed.

The CHAIRMAN: Under civil salaries and wages the amount \$14,185,000, an increase over \$12,757,000. If any member has an individual item—the estimates which he would like to ask about, he is quite at liberty to get that information.

Hon. Mr. ASELTINE: Could we have some information on the cost of the new roof and the rehabilitation and interior decoration of the East Block?

The CHAIRMAN: Yes; but perhaps we had better ask that question under the appropriate item.

Hon. Mr. ASELTINE: I am just making a suggestion as to the kind of things we might get information on.

The CHAIRMAN: Will you keep that question in reserve, and ask it a little later?

Now Mr. Murphy, we see that civil salaries and wages in your department have increased by roughly \$1,300,000. What is the explanation of that?

Mr. E. P. MURPHY, Deputy Minister of Public Works: That is by reason of increased wages generally that we have had to pay over the past year. There have been several increases, particularly in the building industry, and in addition to that we have decreased staff by reason of the amount of work that is going on. Most of that amount is accounted for by reason of increase in wages, both as to bonuses and additional rates as laid down by the regulations.

Hon. Mr. EULER: By how much has your staff been increased?

Mr. MURPHY: There is an actual decrease of fifty people, but an increase in expenditures by a considerable amount, namely \$1,300,000 over last year.

Hon. Mr. EULER: That is accounted for by increased wages?

Mr. MURPHY: Increased wages. It is 8 per cent, or 1/12th.

Hon. Mr. REID: One question occurs to me, Mr. Murphy, as to these figures. We have been given the number of employees for the year 1951 as 7,628, and for 1952, 6,944; that is up from 1951. I was wondering why the number in 1950 was over 7,000 as compared to 6,000 now. I am quoting from the official figures given to us by the Chairman, as to the number of employees in all departments.

Mr. MURPHY: There may be some difference in the figures, Senator, but for the last four years they are as follows: 7,183 as of March 31, 1952; 7,231 for 1951; 6,954—1950; 6,547—1949. There was an increase in 1950 over 1949 of 300; and an increase in 1951 over 1950; and a decrease of 50 in 1952 as against 1951.

Hon. Mr. REID: Those figures were given by the Department of Finance, but I notice that another column by the Bureau of Statistics, and their number agrees with yours.

Mr. MURPHY: Yes; the element of tolerance would be less with the Bureau of Statistics. The figures I gave are the numbers on our payroll, and would be accurate. I would say that the element of tolerance would be less on this, than on the others.

The CHAIRMAN: These figures that Mr. Reid is quoting are ones that we received from Mr. Bryce, of the Treasury Board. They were circulated to members of the committee. There has been a slight correction, and the new ones will be circulated when Mr. Bryce is here. But it does not affect this item, and there is an explanatory note.

Mr. MURPHY: That would be based on positions created, and if they are not occupied at the time, this is the one that actually shows. This is taken from the payroll that is actually paid; the other represents what you are entitled to. There may be ten positions vacant on the 31st of March. The employees may be seasonal employees. That would account for the difference between what is shown by the Treasury and what is shown on the payroll.

The CHAIRMAN: Could you leave a copy of that with us so that we can ask Mr. Bryce about that?

Mr. MURPHY: Yes.

Hon. Mr. ISNOR: Mr. Chairman, the first item you called is "Civil Salaries and Wages"? I was just going to ask Mr. Murphy in regard to the architectural branch of his department. Down through the years I have had a great deal to do with the Public Works Department, because of the number of public projects along the shores of our Atlantic coast, and it has always struck me that this was one of the departments I could not criticize very much. They are very efficient in their operations and their work, their laying out of projects, and so on. But, because of the criticism I have noticed in the papers recently concerning architectural work being carried on by outside sources, I wanted to clear up that to see whether there is any blame to be attributed to the Department of Public Works. Quite recently one of the members in the other house referred to an "imaginary" building and plans running into many thousands of dollars. Perhaps Mr. Murphy could tell us whether his department has engaged architects to any great extent outside of his own department, or is his present staff sufficiently able to cope with the demands in connection with architectural work, under his department?

Mr. MURPHY: We carry a basic staff that is capable of coping with the ordinary run of work in the department. That covers a goodly amount of work that would be needed from one end of Canada to the other. The total number in the branch is 6,228: it is composed of people both inside and outside of Ottawa. While it represents quite a substantial number, an awful lot of them are on repair work and that sort of thing; in the professional end, the architectural work, preparing of plans and specifications. We carry in our organization sufficient of that type, and we have enough work for them all the time. But the bulge occurs on the bigger jobs: we could not hope to carry the number of men permanently required to do all the architectural work required from time to time. You get huge projects which necessitate carrying specialty men and that kind of thing. Take the type of man required for the Film Board: we would not have use for that type of man at all. Or take the big labs. That kind of work is placed in the hands of outside architects.

Hon. Mr. ISNOR: In other words you would say it is not economically sound to carry a staff large enough to take care of special projects?

Mr. MURPHY: Oh, we could not do that. If we did, we would have all kinds of criticism.

Hon. Mr. ISNOR: And because of that, you go outside for special projects?

Mr. MURPHY: We bring in outside architects and assign them to special work.

Hon. Mr. ISNOR: And to you generally assign architects in the district where the work is to be carried on?

Mr. MURPHY: Most of the time.

Hon. Mr. ISNOR: You do not as a rule select these architectural firms in Ottawa, let us say, or Toronto?

Mr. MURPHY: Well, the architectural firms in Canada are pretty well centred in the major centres. There are many cases where substantial structures are built where there is not an architect in the locality, but we always have to choose an architect in keeping with the type of structure we have in mind. But bear this in mind. When a major project of that type is required we contact the department which is going to occupy that building or that facility, and get from them the roughing of their requirements. Then, with our own architectural organization, we make what we call a sketch plan, putting into it the ideas of economy that we have in mind,—whether it shall be spread over a big area or a small area; the size, the number of storey that is required,—always in keeping with the demands of the facility for which you are building. For example, if you are going to build a post office in a city like Montreal, where the cost of land is high, you have to hold it within a small block. On the other hand, if you are going to some place which is a new development, you usually try to take a big block, always bearing in mind the limits of economy in so far as heating and cleaning and that kind of thing are concerned. Then, when we have the sketch plans prepared, we go to an outside architect and say, "Here are the sketch plans for this facility; develop the details;"—always under the guidance of one of our men.

Hon. Mr. HORNER: I wonder whether the hiring of Jacques Greber from Paris came under your department. I think, if you kept him very long in Ottawa, you would have to move out and build a new city.

Hon. Mr. RED: Mr. Murphy, in travelling around during the war and visiting various plants, one question which the committee with which I was associated invariably asked our superintendents was in regard to the rest period, or the two rest periods per day. The answer we got from most superintendents was that they found that, due to the fact that you split the day, there was a better response in terms of work. Some were of the opinion that it was a kind of a waste of time. I was wondering, in regard to your whole set-up,

what your experience has been. I am speaking of the industrial workers, the engineering departments and so on in the industrial plants, and the information we received—and it was very enlightening—was that to stop at these periods for ten or fifteen minutes resulted in a greater and better effort. I was wondering whether the same applies to clerical workers. Have you found it necessary to increase the staff due to, shall we say, loss of time on that account?

Mr. MURPHY: Where you see that system working to the best advantage is in industrial plants, where things operate on a conveyor belt system, and the same thing is done all the time. It certainly worked out on Munitions and Supply. They felt that it paid to stop the whole operation and let everybody have a breather, a smoke, or a "shake-around" from the position in which they were sitting or working, and then come back. But in the ordinary run of construction work you don't get that. The work is more or less varied all the time. The carpenter is sawing a board here and nailing a board there. He is not tied to the same work all the time.

Hon. Mr. REID: How about an increase in the clerical staff?

Mr. MURPHY: The amount of bookkeeping you have today in all activities, be it governmental or industrial work, has been brought about by the returns that are needed.

Hon. Mr. EULER: Do you have the practice of afternoon tea in your buildings?

Mr. MURPHY: No, we don't. We frown upon it, senator, because, after all, we are the custodians of the buildings and responsible for the use of temporary rigged-up heating devices and things of that kind.

Hon. Mr. REID: When I go down to some of the buildings it is certainly evident that there is a great troop coming and going to the cafes in a rest period. I was wondering in so far as your work is concerned whether it would make for greater efficiency.

Mr. MURPHY: We have never declared it in the branch of the department at Ottawa, but in industrial work they do it.

Hon. Mr. REID: What do you mean, "declared it"?

Mr. MURPHY: Set aside a certain period for it.

Hon. Mr. REID: They do it though.

Mr. MURPHY: Some of them do.

Hon. Mr. REID: It is in effect. There is hardly a building you go into that it is not in effect.

Mr. MURPHY: I have not seen it.

Hon. Mr. REID: I am speaking of government buildings. For example, I was in a building in Vancouver where they have a large cafeteria for the staff. I am not objecting to it but I am wondering what effect it has.

Mr. MURPHY: You mean the Income Tax Building?

Hon. Mr. REID: Yes, they have a large cafeteria and any time you go in there you will find a large group of employees and they seem to be going back and forth all the time. I am wondering if it has brought about greater efficiency. I may point out that it has been said that it has brought about greater efficiency in the industrial field. On the other hand, if you go into the Hunter Building here in Ottawa or the building which houses the National Health and Welfare Department you will see employees tramping out around 10 o'clock in the morning to go somewhere and have coffee. I am wondering if it really brings about better efficiency to have cafeterias, as it does in the industrial field.

Hon. Mr. GOLDING: They claim that but I cannot see any sense in going to work and knocking off for fifteen minutes in the forenoon and fifteen minutes in the afternoon and expect to have the same production. I cannot see that. If you are on a machine which is capable of producing so much a day by keeping the machine going, I do not see how you can knock off for half an hour and expect to have the same production.

Mr. MURPHY: I visited the building Senator Reid speaks about in Vancouver and I asked them about it and they told me that their demands at certain periods of the year, such as during April and March, make it necessary for their employees to run over the regular lunch hour in order to accommodate the people coming in on business. Because of this they have had to stagger the periods between 10 o'clock and 2 o'clock so that the employees who have to remain at their desks during the regular noon hour can take their meals.

Hon. Mr. REID: It must cost more to build a cafeteria. It must be a considerable expense in the matter of constructing a building.

Mr. MURPHY: Yes, and that building was never built for a cafeteria.

Hon. Mr. GOLDING: What hours do they work now? In the Income Tax Branch what hours do they work a day?

Mr. MURPHY: I do not know how they work it out. They say that they have to accommodate the public in the different centres.

Hon. Mr. GOLDING: I know, but what are the hours for the Civil Service employees?

Mr. MURPHY: You mean our own hours in Public Works?

Hon. Mr. GOLDING: Well, yes.

Mr. MURPHY: From 9 to 12, and 1.30 to 5 with an hour and a half for lunch, and it is staggered to catch the transportation system.

Hon. Mr. EULER: Do not those hours vary?

Mr. MURPHY: Yes, they are staggered to meet the transportation system.

The CHAIRMAN: I should like to bring the discussion back to the point raised by Senator Reid, and I shall illustrate it in this way: Mr. Murphy, in Public Works you have under the heading of "Construction or Acquisition"—and this comes under the main heading of "Buildings and Works, including Land"—an estimate of \$64,703,000. At the same time I notice that under this heading Agriculture has an estimate of \$9,134,461.

Hon. Mr. ISNOR: Which heading are you working under now?

The CHAIRMAN: I am referring to the big table.

Hon. Mr. ISNOR: Yes, but which one?

The CHAIRMAN: Look at No. 13 at the top and follow that down and you will see what each department is spending under this heading. I have got off the track again but let me return to it. Agriculture spends over \$9 million and Public Works is spending some \$64 million. What does that mean? Under the Public Works Act, Mr. Murphy, my understanding is that the Public Works Department does all the public works for the government. We have also under "Repairs and Upkeep" \$993,246 in the matter of Agriculture, and in your estimates you have a figure of \$9 million under this heading. Under "Rentals" Agriculture has an item of \$144,467 while you have an item in your estimates of \$5 million. The same applies to the next item of "Equipment" and so forth. Is the practice growing in the departments to have their own architectural staffs and call for contracts for buildings and get appropriations from parliament outside of Public Works altogether? By way of illustration I may say

that I noticed recently in the Winnipeg papers an advertisement calling for the erection of two buildings in Manitoba for the National Revenue Department, and the tenders were to be sent in to the Deputy Minister of National Revenue. Can you give us any light on that?

Mr. MURPHY: The Act respecting the Public Works of Canada falls into two direct parts. The first part governs the duties of the Minister of Public Works, and these duties are enunciated as follows:

The Minister shall have the management, charge and direction of the following properties belonging to Canada, and of the services in this section enumerated, namely:—

- (a) The dams, the hydraulic works, the construction and repair of harbour, piers and works for improving the navigation of any water, and the vessels, dredges, scows, tools, implements and machinery for the improvement of navigation;
- (b) The slides, dams, piers, booms and other works for facilitating the transmission of timber, the collection of slidage and boomage dues and matters incident thereto, and the officers or persons employed in that service;
- (c) The roads and bridges;
- (d) The public buildings;
- (e) The telegraph lines;
- (f) The heating, maintenance and keeping in repair of the Government buildings at the seat of government and any alteration from time to time requisite therein, and the supplying of furniture and fittings or repairs to the same;
- (g) All such portions of the property known as the Ordnance property as were transferred to the Government of the late province of Canada or to the Government of Canada by the Government of the United Kingdom, and afterwards placed under the control of the Department;
- (h) All other property which now belongs to Canada and the works and properties acquired, constructed, extended, enlarged, repaired or improved at the expense of Canada, or for the acquisition, construction, repairing, extending, enlarging or improving of which any public money is voted and appropriated by Parliament, except works for which money has been appropriated as a subsidy only, and every work required for any such purpose."

In Part II of the Act provision is made that

"The Governor in Council may at any time transfer the management, charge and direction of any public work, or any power, duty, or function with respect to any work or class of works, whether public or private, which is assigned to, or vested by statute in, any minister or department, to any other minister or department;"

Therefore, certain duties that ordinarily become Public Works may be transferred to other departments.

Hon. Mr. EULER: Would that account for that item of \$9 million?

Mr. MURPHY: I assume that that is for the P.F.R.A. I assume that they do a lot of prairie farm rehabilitation work.

Hon. Mr. EULER: Does the same apply to the Department of Citizenship and Immigration? They have an item there of over \$5 million.

Mr. MURPHY: I do not know what their regulations are. Take the Department of Resources and Development. They do the work in the National

Parks. They are doing the construction work on two power plants now in the Northwest Territories, one at Lemay and the other at Snare River.

Hon. Mr. EULER: Then you have the National Research Council with an item of over \$13 million.

Mr. MURPHY: They are empowered to construct their own buildings. They require special buildings of special design, such as the one at Chalk River. There is another building out on the Montreal Road, a new electrical lab.

Hon. Mr. EULER: You do not do that work at all?

Mr. MURPHY: We assist them to the extent of giving them the benefit of our architectural branch or our engineering branch in doing what is necessary to keep it uniform. In other words, we all work fairly closely together.

The CHAIRMAN: I notice that the total of expenditures for buildings and works, including land, for your department is \$136 million, and off that \$64 million, about half of the total, is being spent outside your department.

Mr. MURPHY: The item for Citizenship is explained, I think, by the fact that they build the Indian schools.

Hon. Mr. EULER: The Transport Department is the biggest one.

Mr. MURPHY: They have an organization there for doing the canals work. It is under them that the Canso Causeway is being built. They do their own canal engineering and construction, and they do the engineering and construction of the airports. You will notice when you go into any of the airports that the property is the "property of the Department of Transport".

Hon. Mr. EULER: You have nothing to do with that?

Mr. MURPHY: No. Under section 2 of the Public Works Act construction of airports was transferred to the Department of Transport, and the construction of canals was also transferred to them.

Hon. Mr. KING: Mr. Murphy, I would like to ask you a question with regard to the building of armouries and that sort of thing. Is that under your control now?

Mr. MURPHY: The Defence Department do this themselves. The building and operation of an armoury is something of a special nature that is done by their organization. They carry within themselves a corps of army engineers who have the necessary experience to carry on experimental work and build armouries.

Hon. Mr. KING: That is a practice that has existed for a long time?

Mr. MURPHY: Yes, for many years.

Hon. Mr. KING: You assist them, I suppose, where necessary?

Mr. MURPHY: We assist in so far as the structural side is concerned.

Hon. Mr. ASELTINE: Take this new building out on the Montreal Road, to house the Central Mortgage and Housing Corporation. Who is responsible for that?

Mr. MURPHY: The Central Mortgage and Housing Corporation, is a wholly-owned government company, and the wholly-owned government company is responsible only to the Auditor General. Its appropriations are made through parliament.

Hon. Mr. ASELTINE: That does not come under the Department of Public Works at all?

Mr. MURPHY: No. They have their staff of architects and engineers.

Hon. Mr. KING: Do you think it is just as well that it should be that way?

Mr. MURPHY: Well, it is just as well to have any speciality work carried on by the department concerned, if they have sufficient work to justify a

technical staff of their own, but if they have not sufficient work then any building work that they have falls in the same category as such work for any other department. We carry a limited staff—I do not mean that our staff is small, by any means—and we are in a position to help.

The CHAIRMAN: Would you say, Mr. Murphy, that we are moving to the position where the Department of Public Works could be abolished and each and every department of government assume responsibility for its own buildings, rentals and maintenance?

Mr. MURPHY: No, I do not think that could be done without having duplication of work. That is very very evident, particularly around Ottawa. If you were to try anything of that sort you would find that each department would have within itself a technical service.

The CHAIRMAN: Is it not working towards that now?

Mr. MURPHY: No.

The CHAIRMAN: Take the Department of Agriculture, for instance. I fancy it does not spend all the money voted for repairs, upkeep, rentals, construction or acquisition of equipment. Those detailed estimates indicate that it has a very considerable technical staff of its own.

Mr. MURPHY: That is quite possible. But, they do a lot of work on the side that is beneficial to the people of the country as a whole. They develop types of farm buildings and distribute them all over the place—such as a piggery, or cattle barn or special barn for raising sheep. That is more or less experimental work that they do for the benefit of the farmers as a whole.

The CHAIRMAN: Take this thing that I touched on a moment ago, the calling of tenders by National Revenue for two buildings for its employees in Manitoba. What would you say about that?

Mr. MURPHY: I did not know of that. There must be an error somewhere.

The CHAIRMAN: They called for tenders for two buildings for customs men of the Department of National Revenue, I think.

Hon. Mr. McLEAN: It would seem that under the law as Mr. Murphy read it, any new department of government that is being set up or any new minister starting off has the choice of organizing a departmental building staff, with architects and so on, and perhaps duplicating what is already being done by the Department of Public Works.

Hon. Mr. EULER: The minister simply gets an Order in Council passed transferring the work to his own department.

Hon. Mr. REID: I think we should try to get the picture clear. I am interested to know if there are departments, outside of Defence and National Housing, which have their own architects and building staff? Are there other departments which actually construct buildings themselves and maintain a staff of architects? If so, it seems to me that there must be direct duplication. It would seem reasonable that the construction of buildings should as far as possible be done under one department.

The CHAIRMAN: Take Citizenship and Immigration. They have for buildings and works \$5,253,000. You have no explanation for that, Mr. Murphy?

Mr. MURPHY: No. That is for Indian schools.

Hon. Mr. REID: What about the question I asked?

The CHAIRMAN: Order, please.

Hon. Mr. REID: Yes, I think we should have order. I put a question through you, Mr. Chairman, to Mr. Murphy. I would like to know if there is duplication, if departments other than Public Works, Defence and the Housing Corporation actually have their own staffs for constructing buildings. The picture

should be clarified, because if a number of departments have their own architectural and building staffs it would be evident to me, as a layman, that there must be a lot of duplication.

Mr. MURPHY: As I explained, Part 2 of the Public Works Act provides that in the setting up of different departments all that work which ordinarily should be done by Public Works may be transferred to the new department. It is a matter of policy.

Hon. Mr. EULER: If any minister is able to get an Order in Council passed transferring to his own department the work of constructing any buildings or anything else that he wants to construct, you have nothing to do with that? He goes to council and gets the order passed, and has an appropriation made, just as has been done for the Departments of Agriculture and Citizenship. That is not within your province? You take what is left, do you not?

Mr. MURPHY: That is quite true. The point I was trying to make was that under the original Public Works Act, of 1867, the powers of the Minister of Public Works were all covered; but in the new part of the Act, part 2, it is provided that a new department may have these powers, in so far as the department itself is concerned.

Hon. Mr. BEAUBIEN: How long has that part 2 been in the Act?

Mr. MURPHY: Since 1882, I think. I would not like to be held to that date exactly.

Hon. Mr. EULER: Is the trend toward an entrenchment upon the Public Works Department?

Mr. MURPHY: The more specialties the department goes into, the more it has to. The railways and canals were big enough to set aside an organization to carry on Canal work, they have carried engineers to do it. When Mines and Resources were set up, they did the same. They had within their jurisdiction the National Parks. When National Parks became extensive enough, an organization was set up for that purpose. To answer Senator's Reid's question as to whether or not that arrangement is desirable and economical, or whether all that work should be combined under one heading, or one technical service, I may say that provision was made in the original act, and it was later amended, that such work could be divorced from the Public Works Department. The only answer I can give to the Senator is that it is a matter of policy. I will, however, give you my own observations, if that is what you are asking for. I note that where an organization has been set up to handle a specialty, it has worked particularly well; we could not have handled the work without setting up a special organization for it. We could not have handled canals without making special provision, nor could we have handled Mines and Resources, because we do not carry geologists and so on.

Hon. Mr. EULER: Anyway, you do not have control of that matter?

Mr. MURPHY: We do not have control of it. But according to the original Public Works Act we did have control, and it was taken away by Part 2 of the Act. My observation is that as far as the major operations are concerned, it works very successfully. There may be places where the work could be rearranged, and more placed with our department.

Hon. Mr. ASELTINE: It seems to me there must be considerable duplication.

Mr. MURPHY: In some cases we have an organization to do work of major size.

Hon. Mr. REID: I can understand that in the building of structures for Transport and for airports, that would be specialized work, but when it comes to all types of buildings, what is the answer?

Mr. MURPHY: Take, for instance, the Chalk River operation; that is a specialty program that is being developed—it is experimental work.

The CHAIRMAN: I would say that the Chalk River may be excepted, for there are special circumstances surrounding it. But what puzzles me is a department like Citizenship and Immigration which has in its estimates \$5½ million under "Construction or Acquisition of Buildings"; it has \$1,141,000 for repairs and upkeep, and \$128,000 for rentals. That, I find, rather difficult to understand, why that department should be asking parliament to give it money to spend in that way.

I go down now to External Affairs Department, which is spending for construction or acquisition of buildings \$1,434,000 and \$360,000 for rentals. There may be an explanation for that, that it is for construction of offices abroad, and that they themselves can handle the matter better than Public Works Department. I look next at the Fisheries Department, which is spending \$269,000 for construction, \$178,000 for repairs and upkeep, and \$8,625 for rentals. That amount of \$178,000 for repairs and upkeep means that some structure somewhere has to be maintained, painted, or something done to it; and they are calling for tenders and doing this work separate from the Department of Public Works.

Take for instance the Commissioner of Penitentiaries. There the total amount under buildings is \$1,090,000, and \$129,000 for maintenance. Does the Commissioner of Penitentiaries buy his own structures, and has he an organization to maintain them? We reach a total, excluding Chalk River, Defence, and Defence Production of \$136 million being spent under this heading, of which \$64 million is from Public Works, the department which I should imagine should be doing all the work.

Mr. MURPHY: I think perhaps there is an explanation for each one of those items. As to the Department of Citizenship and Immigration, they build and operate the Indian schools located in remote areas. For us to go and build schools say at Fort George, at the upper side of Hudson Bay, it would be most difficult. We did, however, prepare the plans and turn them over to that department. That is an area where there are a limited number of men available, and these structures are built during the time that these men are available. We could not keep an organization to do that type of work; however, we do prepare plans for them.

The CHAIRMAN: But the hospitals would be built under National Health and Welfare, not under Citizenship and Immigration?

Mr. MURPHY: I am speaking of the schools. Under the Department of External Affairs, there is a very simple organization which takes care of their work abroad. We own Canada House, and they do the repairs and upkeep on it and other properties abroad.

Hon. Mr. EULER: It is over \$1 million.

Mr. MURPHY: They do the work on the new property in Paris, and also the one in Rome. They have an architect over there who supervises the work. As to the Fisheries Department: That covers the cost of construction and operating of the specialty, the fish hatchery. True, it adds up to a large amount at the end, but the individual items are very small, and would not justify us keeping an organization for that purpose.

The CHAIRMAN: Let us take the Department of National Health and Welfare as an illustration.

Mr. MURPHY: They get money for places like Moosonee and for Fort George, where large hospitals are required to be built. Our organization looks after it architecturally and engineerwise, and we award the contract. If the job is big enough, we do participate in the supervision of construction, but if it is only a couple of thousand dollars, the men are hired locally.

The CHAIRMAN: In other words, your department does that work?

Mr. MURPHY: We do the plans for them; we call for tenders.

The CHAIRMAN: But do you supervise the construction? You have had a lot of experience, Mr. Murphy, and you have a number of men who can do that sort of thing. Could you not do the construction more economically than have the Department of Health and Welfare, for instance, set up an organization to do it?

Mr. MURPHY: They do not set up an organization. There is limited help in the districts where the hospitals are built. If it is a big job, we do it. We built the hospital at Moosonee, Fort George, Fort Ste. Marie, two in Saskatchewan and one at The Pas.

The CHAIRMAN: Coming back to the subject of agriculture, and \$9 million for construction or acquisition of buildings, with \$993,000 for repairs and upkeep. That is not all associated with P.F.R.A.?

Mr. MURPHY: It is all farm work.

The CHAIRMAN: Yes, farm work, but my point is, does agriculture set up or create an architectural and engineering branch that works alongside yours?

Mr. MURPHY: No; we do work for the Department of Agriculture, on main buildings at the farm here, but they maintain a smaller organization to develop specialties like the building of barns, piggeries and henhouses. We do the major work, if they get the money, on such enterprises as laboratories or something of that sort. They are better equipped to handle small operations than we are. That is easily understood. That is a matter that everyone is interested in. Yet they have in here nearly \$1,000,000 for repairs and upkeep this year. Surely they must have some sort of organization to do that. That is similar to the organization that you have in the Public Works Department?

The point is that they have spare time for their regular men whom they ordinarily require on the Experimental Farm, and they do this work in times when they would ordinarily be laid off. They use their own employees, who are permanent, for that particular work; but for operational reasons they charge it to their new buildings. It is a matter of bookkeeping.

Hon. Mr. ASELTINE: While we are on this point, can we find out something more about the East Block? Did not that come under your department?

Mr. MURPHY: We did that, That is right.

Hon. Mr. ASELTINE: Let us know what was done there, and what the cost was, and all the details. Have you got that information?

Mr. MURPHY: I did not bring that with me. I thought the purpose of the committee was to examine the estimates. I could bring that some other time, because that is work that has already been done, and it is a job by itself. I could tell you off hand what we did, if you want me to talk on it; but I suppose the Chairman would protest against my telling you; it would be taking up time which is wanted for something else.

Hon. Mr. ASELTINE: I think that is part of what we are here to investigate,—Public Works, and what they do and what they have done, and how they got about these things.

Mr. MURPHY: If you want details of the expenditure I will have to bring the record. It is that thick (Witness indicated several inches), you know.

The CHAIRMAN: Perhaps you can answer Senator Aseltine's question. What was the total amount spent on the renovation of the East Block?

Mr. MURPHY: I have not it here, and I have not looked at it recently. But if it is the copper roof you are interested in, I will tell you about that. That is 90 cents a square foot.

Hon. Mr. ASELTINE: I watched them working on that building from my office window, and I am very much interested in knowing how much it cost.

Mr. MURPHY: It was done under a contract, cost-plus contract, but an individual item like the roof was a firm price contract.

Hon. Mr. EULER: It cost something around a million dollars, if I remember right.

Mr. MURPHY: The whole East Block? You refer to the East Block? That is what the Clerk of Estimates tells me,—about a million dollars. But I didn't want to quote it; I thought it was rather low.

Hon. Mr. REID: A million dollars would have built a fair-size building.

Mr. MURPHY: Oh, not today.

Hon. Mr. GOLDING: We had that question up before with this committee, and the Chairman will remember that the point was "Here is the building, what are you going to do about it? Are you going to tear it down, destroy it and build something new, or repair it?" And if the question was before us today we would do what was done, we would repair it.

Hon. Mr. ASELTINE: But we would be entitled to know what it cost.

Mr. MURPHY: I do not think the senator is finding fault with the judgment to go ahead.

Hon. Mr. ASELTINE: I am not dealing with that point at all.

Hon. Mr. EULER: You want to know what it cost?

Hon. Mr. ASELTINE: Yes.

Mr. MURPHY: We considered that it would be more economical to repair it, rather than take the building down, even to the wall head, and put the roof on it. It was purely a matter of economics. We attacked it from that standpoint,—to repair the roof, put a new covering on it, retain the building on the lines it had when it was built.

Hon. Mr. ASELTINE: There was no contract let for any lump sum?

Mr. MURPHY: Oh, you could not do that, because you can only let a contract for a lump sum when you know what you have to do to the building. With that building you could not tell: as you pulled something down you found something else was needed.

Hon. Mr. ASELTINE: So it was on a cost-plus basis.

Mr. MURPHY: That was the only way you could do it.

Hon. Mr. ASELTINE: And there were the repairs to the interior.

Mr. MURPHY: The interior was our biggest trouble.

Hon. Mr. ASELTINE: Perhaps you can give us that information.

Mr. MURPHY: Yes. We will be pleased to get it.

Hon. Mr. ASELTINE: As to the outside work and the inside work and the rest.

Mr. MURPHY: I will be pleased to get it.

Hon. Mr. ISNOR: Has that work been finished, Mr. Murphy?

Mr. MURPHY: It is now completed, yes.

Hon. Mr. ISNOR: The tunnel included?

Mr. MURPHY: The tunnel to the West Block?

Hon. Mr. ISNOR: Yes.

Mr. MURPHY: That is something I don't know. I don't know how far it went.

Hon. Mr. EULER: Are they building a tunnel there?

Mr. MURPHY: No. This is how the tunnel idea originated. When the number of members in the House was increased, before the last election, it was felt that additional rooms would have to be provided for the members. So two solutions

offered themselves. No. 1, to increase the size of the main building; and if you increase the size of the main building you would have to put against the skyline other lines that would detract from the appearance of the present building. The next question was, what is the alternate? I thought at that time if we dropped the elevators down and put a tunnel across into the West Block we could take away the ancillary services of the House of Commons and place them in the West Block, and leave more room for the members. That is actually what we did do. But we did not build a tunnel.

Hon. Mr. KING: Has that plan been set aside?

Mr. MURPHY: Well, that or some other plan will have to be given consideration later on. The House will be increased. It is now 262, is it not?

Hon. Mr. KING: It is still in your thought?

Mr. MURPHY: It is still in our thought, yes. It is something that will have to be considered sooner or later. As the country grows, I suppose the House will grow; and as the House grows you will have to have more offices.

The CHAIRMAN: Just for information, Mr. Murphy: you stated a moment ago that National Revenue have \$1,045,000 in for construction and acquisition of buildings, \$79,500 for repairs and upkeep, —

Hon. Mr. EULER: For what?

The CHAIRMAN: National Revenue; and \$21,200 for rentals. Now the first line below that, if you notice, is the Post office, which is much similar to National Revenue. Now, there is not a dollar in these estimates for buildings for the Post Office or for repairs and upkeep, or for rentals. Is there a logical reason for the different practice?

Mr. MURPHY: In case of National Revenue, they have these items set aside for ownership and operation, repairs and so forth of buildings located in remote locations. National Revenue have a Customs examining warehouse up on Goose Bay. They have two buildings up there where their operators live; they have two (at that other airport), at Gander, and two at an airport out west, and they have others at remote locations which they own and operate. It is all housing. In some places they have an import office in it. That is why the amount is in there for the buildings. Post Office is an entirely different problem. From 1867 on we have always done all the work for Post Office. That is where they have a post office where the revenue is over \$3,000 and where it is not one of those contract post offices, we make the lease; and when it is over \$10,000 we build the building at their request.

Hon. Mr. ISNOR: Every time you construct a building for the Post Office it means that they have to pay out less money in the way of rentals. Is that correct?

Mr. MURPHY: That point was brought up some time ago. At the present time they pay no rentals. Except for post offices where the revenue is under \$3,000. We provide space for the Post Office Department. In all other cases we either build the buildings for the Post Office Department or we pay the rent for their offices. Where individuals have a small post office in a part of their home they receive a special increment in their wages to cover this.

Hon. Mr. ISNOR: In certain places they have a post office in a public building which also houses the police and customs officials, and so on.

Mr. MURPHY: Your point is well taken. When we put up a public building we try to put it up economically. No branch except a government-owned company pays rent to Public Works. The Post Office pays no rent, nor does any department such as Mines and Resources pay rent. When they ask us for a building the governing factor is the ground-floor space, and the ground-floor space usually goes to the Post Office Department. The Department of National Revenue is now demanding ground-floor space and we have to put the two of

them together. To provide an economical building we build upwards. In other words, it is not economical to have a one-storey building if you have to put other government services in it. It is cheapest to put in lots of floors and provide all the accommodation you can in the one building within the limits of economy.

Hon. Mr. ISNOR: I take it you draw the plans in connection with all post office buildings?

Mr. MURPHY: Yes, every one.

Hon. Mr. ISNOR: I wonder if you can tell us if the Armdale post office plans are complete for Halifax?

Mr. MURPHY: The information I have is that we are about ready to call for tenders. Mind you, in connection with all public buildings, because of the shortage of steel and because of Department of Defence regulations, buildings for office, recreation, pleasure, entertainment and other similar purposes are restricted.

Hon. Mr. REID: Let us say that the Post Office Department requires space in a certain centre. Tenders are called for a building and a private individual puts up a building under your jurisdiction, and then rent is paid. To which department is the rent credited? The space is used for the post office. I have in mind a certain small post office that was built, and the rental is very considerable. Now, does the Post Office get credited with that rental or does Public Works?

Mr. MURPHY: Public Works is charged with it. We pay all the rental. If we construct a building we build it with our own funds and we allocate the share to the Post Office at no charge. On the other hand, if we do not construct the building and a lease arrangement is made, we pay the rent.

Hon. Mr. REID: We are trying to get a true picture of Post Office expenditures, and if buildings are erected for them and not charged to them, and rental is paid to Public Works, it is difficult to find out what the expenses of the Post Office Department are.

Mr. MURPHY: That is true. I attended certain meetings where I made the statement that they paid no rentals, and they came back sharp and short and said, "You pay no postage".

Hon. Mr. EULER: It is fair enough.

Mr. MURPHY: Yes, it is fair enough. I was arguing at the time that any person would be more economical in his demands if he was himself responsible to somebody in the matter of getting money to build their own building or look after their own space. The argument then developed, "Well, we in the Post Office Department carry all government mail free." Like Senator Reid, I thought that they had a surplus and to look the thing over you think that the Post Office Department operates pretty well. They quite fairly offered to pay us a certain amount for rent in return for which they wanted to charge us for the postal services. My point is that in connection with space, if you are responsible for getting the money for it yourself, you are bound to be more economical and use it more judiciously than if it is supplied to you freely.

Hon. Mr. REID: Right.

Hon. Mr. GOLDING: The carrying of your mail would not offset the provision of the buildings for their services at all, would it?

Mr. MURPHY: That is a figure that would have to be determined by going into all the items.

Hon. Mr. GOLDING: How much does it cost you to provide these services for the Post Office? Have you any estimate of what it costs you?

Mr. MURPHY: I had it at the time I attended those meetings. I can get it for you.

Hon. Mr. REID: It is given here under "Postage" for Public Works as \$20,785. That would not begin to cover the rentals you are paying, or the buildings you are constructing.

Hon. Mr. GOLDING: That is what I am saying. The carrying of your mail would not offset your expenditures on behalf of the Post Office.

Mr. MURPHY: Not only us but all the rest of the government mail.

Hon. Mr. GOLDING: No, but we are dealing with Public Works and the Post Office, and the Public Works contribution to the services that the Post Office has to carry. You either provide the buildings for the Post Office or you pay the rent for them, and surely they would not contend that if they carried your mail it would offset your contributions to them?

Mr. MURPHY: No, it is the government as a whole.

Hon. Mr. GOLDING: No, but we are talking about your department and the Post Office. The Post Office have to operate and they claim they have a revenue. Under the present setup they are not paying you one cent for the buildings you construct for their use nor are they paying any rent for the space they use. You have to pay the rent for them. They are not paying a cent in this matter. Now, I understand that the Post Office carries the mail for all the departments, but what we are getting at is the difference between the Post Office Department and your department which supplies them with these services.

Mr. MURPHY: Oh, as far we are concerned, we get nothing for what we give. We construct the buildings, heat the buildings and service them.

Hon. Mr. BARBOUR: And you provide the furniture?

Mr. MURPHY: Yes.

Hon. Mr. REID: I am rather curious regarding an order issued by your department in connection with rentals. We were requested by your department—when I say we, I mean the International Pacific Salmon Fisheries Commission—to pay rental for office space which we occupy in the Dominion Building, in New Westminster. It would be interesting to know if that is a general order to all departments. Mind you, I am in favour of it. I am simply wondering whether that has been carried out in other departments as well.

Mr. MURPHY: Yes, sir, in so far as any organization that is not chargeable directly to any one department. Take the Eldorado Mining and Refining Company; they pay us rental for space they occupy in building No. 4. Take the War Assets Corporation; they pay us rental; also any of the wholly-owned government companies, any of the commissions, such as the Unemployment Insurance Commission, pay us rental.

Hon. Mr. REID: Has this been discussed with the Post Office Department?

Mr. MURPHY: Yes. They were very fair when we brought it to the front; they offered us a certain amount, they tried to make a deal. So far as Public Works is concerned, we certainly pay the larger amount for the service that is given to the people as a whole. They countered that with charges for carrying mail, and packages and parcel post and that sort of thing, and the two figures were analysed.

Hon. Mr. GOLDING: In the post office building at home space is occupied by a representative of the Health of Animals Branch. Does the Department of Agriculture pay you rent for that?

Mr. MURPHY: They do not pay us rent for space occupied in any public building, sir. If they use space in other than a public building they have to pay rent, and that is why that item is shown.

Hon. Mr. GOLDING: If they occupy space in your buildings you do not receive any rent for that?

Mr. MURPHY: No, not from any government department. We do receive rent from any commission such as Senator Reid referred to, which is an International commission, and from other commissions like the Unemployment Insurance Commission, and from wholly-owned government companies.

The CHAIRMAN: Mr. Murphy, one or two years ago you were before the committee and there was some discussion about the new Printing Bureau, for which a contract was let or about which say a decision had been made.

Mr. MURPHY: Yes.

The CHAIRMAN: Can you tell us what progress has been made with that?

Mr. MURPHY: The foundations are in, and the first floor, and the frame is up to the third floor. So far as the main plant is concerned, the heating plant is in the same condition, with the frame up to the top. The mechanical equipment for the heating plant—that is, the boilers and compressors—are ordered and ready. We expect that the frame for the main building will be up some time this summer and we are preparing to award a contract for the filling in and completion of the building.

The CHAIRMAN: As I recall, at that time you gave us an estimate that the cost would be around \$13 million. Will you be able to complete it within that estimate?

Mr. MURPHY: It will have to be revised in the light of conditions today.

Hon. Mr. EULER: What will you do with the old building?

Mr. MURPHY: It is contemplated, sir, that we will take that down, in time, because the bridge to be replaced there is a low-level bridge. However, for the time being the building will be left as it is.

The CHAIRMAN: What is your present estimate of the cost of the new printing bureau when completed?

Mr. MURPHY: The estimated cost we gave to the House was \$11,300,000. That included \$572,000 for the site; \$8,500,000 for the main building; \$822,000 for the power plant; \$850,000 for mechanical equipment; \$500,000 for plans and supervision, and 10 per cent for contingencies.

Hon. Mr. REID: Does that total estimate include machinery?

Mr. MURPHY: Yes, that includes mechanical equipment and power plant.

The CHAIRMAN: What do you estimate the whole thing will cost when completed?

Mr. MURPHY: I should say you would have to put 10 per cent on that, at least.

Hon. Mr. EULER: How could you spend \$572,000 on a site? It does not have to be in the centre of a city.

Mr. MURPHY: It is located over on the edge of Brewery Creek. We were very liberal in taking not only a site for the bureau itself, but adjacent lands for beautification purposes in connection with the Greber plan.

Hon. Mr. EULER: How many acres are in the site?

Mr. MURPHY: I think the acres worked out at a couple of hundred; I am not sure of the exact figure.

Hon. Mr. EULER: Ordinarily I should think that a half a million dollars is a lot of money to pay for a site for a printing bureau.

Mr. MURPHY: It is quite a big site, and it is part of a well developed section of the city of Hull.

Hon. Mr. REID: What co-operation do you receive from the city of Hull in the carrying out of the Greber plan? You are putting up a building there which you estimate will cost \$12 million or more as part of that plan, and as I go through Hull I wonder what co-operation you are receiving from the city

in the carrying out of the plan. As you know, gas stations are being built over there, and it seems to me that they are in a position where they will interfere with the plan for a national site.

Mr. MURPHY: They co-operate very well with us, senator, in closing streets and roads and restricting where we ask them to restrict certain buildings and that sort of thing. We have no complaint. There are certain points in connection with gas stations and that sort of thing. Just yesterday we had an application from the British American Oil Company, and we sent it over to the National Capital Planning Committee. Their approval will have to be received before the station is built, I can tell you that.

The CHAIRMAN: Mr. Murphy, I judge from what you say that the total cost of the bureau will be something in excess of \$13 million.

Mr. MURPHY: It will be \$11,500,000 plus 10 per cent, which would bring it up to around \$13 million.

The CHAIRMAN: Does that include the cost of fixing up the grounds?

Mr. MURPHY: That covers everything.

The CHAIRMAN: How is the new Veterans Building on Wellington street in Ottawa progressing?

Mr. MURPHY: The new Veterans Building has been tied up by reason of the shortage of steel. We had authority to go ahead with that to the top of the third storey, and that is as far as it has gone.

The CHAIRMAN: What will that building cost when completed?

Mr. MURPHY: It is under a firm contract with the A. W. Robertson Company. Our figure on that was \$5,730,000. That is not far out. The contract price is \$5,889,000, for the building. Besides that there is the cost of the site and so on.

The CHAIRMAN: What I want to get at is what will be the total cost for everything there.

Mr. MURPHY: We figure \$8,544,000.

The CHAIRMAN: About \$8½ million?

Mr. MURPHY: Yes. The site there cost \$690,000.

Hon. Mr. ISNOR: I did not hear that amount.

Mr. MURPHY: \$690,000 for the site.

Hon. Mr. ISNOR: What building is that?

Mr. MURPHY: The Veterans building on Wellington Street.

Hon. Mr. ISNOR: Coming back to the Printing Bureau, Mr. Murphy, if that building were to be built by private enterprise or by an individual who wanted a return, you would have to charge the Printing Bureau something like \$20,000 a year for rental. That is a handicap that the Bureau has in regard to the printing they do, as compared with that sent out from time to time to commercial printers.

Mr. MURPHY: That is a point that is well taken. Before we embarked on the Printing Bureau Building, the question of how much printing was to be done in that and how much was to be done elsewhere, was gone into very carefully. We were not qualified to do it, as Public Works, but we exercised our own power and brought in a group of expert engineers, Powers and Company of Chicago, and had them go over it with our men, and with the King's Printer, and develop what one might call an economical building which would fulfil the requirements of the Printing Bureau. The major requirements of the Bureau are during the session, when it is necessary to get out the sessional papers and so forth as speedily as possible; at the same time, assuming that to be the peak, there had to be an organization that could be kept going 365 days of the year. That is what determined the size of the building. If there

is extra work above and beyond that, it would still have to go to outside printers. In other words, you could not provide for the peaks that you would have at certain times; it would be uneconomical to do that. In consultation with the King's Printer we set a gauge on what was required, on that basis.

Hon. Mr. ISNOR: It would be interesting Mr. Chairman to find out—I do not think Mr. Murphy should be asked to answer this question—what is the total revenue received from the Printing Bureau, taking into consideration the overhead carried by that building; in other words, they are faced right off, apart from salaries, with an expenditure that should be around \$20,000 a year. That is what I estimate it at, taking roughly 15 per cent for the construction, and heating and furniture. It would be interesting to know what the revenue is.

Mr. MURPHY: We would have to get that from the King's Printer, Mr. Chairman.

Hon. Mr. ISNOR: I think Mr. Chairman, you might make a note of that.

The CHAIRMAN: I think we would be able to get that information from Mr. Bryce. I will make a note, and speak to him. Perhaps he can give us the information when he comes here tomorrow.

Are there any further questions? I notice, Mr. Murphy, under travelling expenses, under the column "Travelling and Removal Expenses", you have an item of \$358,000. Could we have an explanation of that?

Mr. MURPHY: Yes. We have district offices located in the major centres; that is where our engineers and architects are located. We send them around to different towns and points, and we have to pay their transportation and their expenses. It would not be economical to keep a man in each of these places. It is a simple matter for us to pay their out-of-pocket expenses, which we pay as certified and for which receipts are provided. We have an engineer located in, for instance, Halifax, who covers all of Nova Scotia; the man in Saint John covers New Brunswick, and the one in Charlottetown covers Prince Edward Island. In Quebec we have two men, one in Montreal and one in Quebec City; in Ontario we have four, Ottawa, Toronto, London and Sault Ste. Marie. They work out from these points, and we pay their out-of-pocket travelling expenses, which I regard as a small amount.

Hon. Mr. ISNOR: You mention the man in Halifax covering the province of Nova Scotia. Unfortunately, that is not so, because you are short-handed in Nova Scotia most of the time.

Mr. MURPHY: That is quite true. The technical graduates from all the universities today—and we are looking for engineers and architects—all find a greater inducement in commercial business than in public service. We just don't pay the salaries that business does, and the men won't come to us. I suppose you read with interest a recent statement in the press in connection with a large number of graduates from Toronto Varsity. Somebody analysed the demand for arts graduates, medical and science, and found that the science graduates were better off, as far as demand on remuneration was concerned, by \$500 a year. The last war has shown the benefits of technical training insofar as industry is concerned. Our young men who are ambitious prefer to go into industry. The middle-aged man now in public service is looking two ways, and many of them have left us for industry. That is what happened in the Halifax office; it also happened in the Toronto office. Men who have considerable service and benefits with the department see fit to sacrifice them and go into private industry.

Hon. Mr. ISNOR: I suppose you have plans for adding to your staff in Halifax?

Mr. MURPHY: We do the best we can to keep an organization. We have the C.S. Commission there trying all the time to get us engineers and architects. That is why I know the situation in Halifax: We need technical men.

The CHAIRMAN: Concerning the matter of desks, typewriters and the like of that, what heading does that come under?

Mr. MURPHY: Furnishings. We do not supply the equipment; that is supplied by the Department of Printing and Stationery.

The CHAIRMAN: But you do supply desks?

Mr. MURPHY: We supply office desks, but not typewriters, adding machines and computing machines.

The CHAIRMAN: What heading is that under?

Mr. MURPHY: No. 11.

The CHAIRMAN: Yes, "Office Stationery, Supplies, Equipment and Furnishings". You have there \$1,936,000; and the total amount in the estimates under the Department of Defence Production, National Defence and Civil Defence is \$12,134,000. Do many of these departments buy their own furniture, typewriters and so on?

Mr. MURPHY: The Department of Public Printing and Stationery supplies the equipment, typewriters, adding machines, ditto machines and that sort of equipment; we supply furniture and furnishings in this item of \$1,936,000.

The CHAIRMAN: You supply furnishings and provide desks?

Mr. MURPHY: Desks, typewriter tables, window shades, drapes, rugs, and everything of that kind.

The CHAIRMAN: As I say, the total in your department is \$1,936,000, and the total of all departments, excluding Defence Production, National Defence and Civil Defence, is \$12 million odd. Does that mean that many of these departments buy their own rugs and furniture?

Mr. MURPHY: The Post Office, for instance, is all specialty equipment of their own; that is true also of the Unemployment Insurance Commission. There is another big item up here for Finance; they handle the contract for the International Business Machines. The total is \$12 million and of that we are responsible for \$1.9 million. That is for the ordinary furnishings and fittings for the office. If you go back to the different items, you will find (1) Unemployment Insurance buys their own special equipment—Finance, they carry the contract for the automatic machines; and National Revenue, they buy special machines. The same thing applies to the Post Office.

The CHAIRMAN: Take a department like Citizenship and Immigration: it has over \$2,400,000 for materials and supplies.

Mr. MURPHY: That is your Indian School furnishings, the desks and so forth, for Indian schools.

The CHAIRMAN: Well, the Commissioner of Penitentiaries has a good block,—\$2,600,000.

Mr. MURPHY: That is a heavy furniture. You can't toy with it very well.

The CHAIRMAN: Mines and Technical Surveys, at \$1,188,000.

Mr. MURPHY: They have special equipment in the labs., you know; that is your old department.

The CHAIRMAN: What I fear is that we are getting into a situation where more and more departments of government are doing things for themselves which the Public Works should be doing for them.

Mr. MURPHY: Well, that is apparent, at least at a casual glance, but the more you go down and analyse that the more you will see, as I have explained on two or three times, the reasons for it. There is a point where you can make economies by having more done by one particular department. However, that is a matter of policy, and that policy is shown in connection with the

second part of the Public Works Act, which I read to you there. The government decided to set them up that way. So long as a department has sufficient of the work to keep the organization going, I don't know that you can quarrel with it.

The CHAIRMAN: Take an organization like the Canadian Pacific Railway or the Canadian National Railways, they have a purchasing department which does all the purchasing. Here we have a purchasing department, or supposedly a purchasing department, in Public Works, yet Public Works are doing much the minor part of all this business.

Mr. MURPHY: Take the purchasing which is done by each department. We could not hope to buy hospital equipment, which is done through Veterans Affairs, and again, through National Health. We could not buy equipment of that kind. This matter was analysed very thoroughly some time ago. An attempt was made to put up one general purchasing department for all government, but it is a very, very difficult thing to do, on account of the special nature of the different services.

The CHAIRMAN: I am bound to say that that argument does not carry a great deal of weight with me. Perhaps I am wrong.

Hon. Mr. KING: May I say a word right there? As a past Minister of Public Works I must compliment the Deputy Minister on the fact that the department has been able to retain, under the first section of the act, what they have, because I know, during the first war and the second war, the growth which has taken place in the departments, and that there has been great pressure on governments, and on this department from various departments, in respect of their particular activities, to come in under the second portion of the act. So I think that Mr. Murphy and his department are to be complimented on holding what they have today, because I know the pressure.

Mr. MURPHY: That is quite true, and it is from a man who has had this experience. That is the point, all the time.

The CHAIRMAN: There is in all this no criticism of Mr. Murphy, because Mr. Murphy does his job in his Department of Public Works and, so far as I am aware, does it very well.

Hon. Mr. GOLDING: He sure does.

The CHAIRMAN: But the thing that does create concern in my mind, perhaps mistakenly, is the general relaxation that has taken place, and the distribution among all the officials in various departments of government of what was formerly done by Public Works and are supposed to be done by Public Works. In that situation I cannot see anything else but duplication and increase in cost.

Hon. Mr. KING: Of course, life has become specialized today. No matter where you go, in industry, in our lives, one finds that everyone today is a specialist; and that is as true of departments of government as of industries and all other organizations. I don't know. But I do know that pressure is being brought upon the department, and it is greater today than it was even in my time.

The CHAIRMAN: That raises an interesting point which, I admit, is probably speculative,—whether or not we are moving towards the time when each department will look after its own business. In that case you can wind Public Works up.

Hon. Mr. KING: While there is a tendency in that direction, I think it would be too bad for the people of Canada if that were the result.

Hon. Mr. REID: If things go on as at present, that is where it will end, because, as the doctor says, there is a tendency in every department to want to do these things by building up an organization of its own.

Hon. Mr. KING: The minister is in a constant fight to try to retain what he can of what was originally intended to be within his control.

Hon. Mr. ASELTINE: I think we should fight against that as much as possible.

Hon. Mr. REID: There is bound to be duplication. If a department undertakes, apart from Public Works, to build its buildings and that kind of thing, it is bound to have a staff, and people to supervise, and all the time they are nibbling at the functions of Public Works; they want to get on their own. This or that man wants more staff and more office space and more authority, and he can always put forward good reasons why his department can do better than Public Works.

Hon. Mr. ISNOR: I do not think the department will disappear for a long time to come. To judge by the amount of money spent on wharves, breakwaters, and the rest, this department is, to me, a very large spending department from the construction standpoint, as well as maintenance. More particularly perhaps I have in mind maintenance. I do not know in dollars and cents the amount of Canada's total investments in the way of buildings; but when we were discussing Post Office buildings I wondered if Mr. Murphy had on record, easily available, the total value of those buildings?

Hon. Mr. REID: All federal buildings.

Hon. Mr. ISNOR: I would just for the moment deal with Post Office buildings, because it is very important that we should have the value of those buildings in order to arrive at a fair rental basis should we ever consider making a recommendation that that system be inaugurated. Of course, the big items are the buildings and maintenance of the public buildings; and, as Senator Reid said, perhaps it would be well for us at some time or other to have the figure of the total investments in public buildings, wharves and breakwaters coming under Mr. Murphy's department.

The CHAIRMAN: Can you get that information?

Mr. MURPHY: Yes, we can do that. I do not know that we have arrived at the point where it can be said that we have been denuded of any of the major work that was entrusted to us. It is only in connection with specialty work which is coming on. Where is a major public building built that we did not build?

Hon. Mr. ISNOR: Just a minute. Do you consider that the Central Mortgage and Housing building which is on the Montreal Road is a major public building?

Mr. MURPHY: It is a small thing.

Hon. Mr. ASELTINE: It costs millions just the same.

Mr. MURPHY: I think there is roughly 100,000 square feet in the building, and it would run around a million dollars. Mind you, that is not a government building. It is owned by a wholly-owned government company and we must not mix the two of them up. In so far as public works are concerned I feel that we are still doing, in broad terms, the work that was assigned to the department according to Part I of the Act. It is true what Senator King has said, as a former minister, that the various organizations that are set up want to get as much as they can for themselves. I certainly do not think any major building has been put up by anyone else than by Public Works. The Central Mortgage and Housing Corporation building is about the biggest one, but compared with our Veterans Affairs Building or our Tunney Pasture's building or any of our other buildings, it is only a fly-by-night structure.

Hon. Mr. REID: I believe a considerable amount of money could be saved in a certain respect. In some government offices you will find two or three men confined to a small space while in other offices you will find a huge room

occupied by one man. It may be a room the size of this with a very high ceiling and you will have to walk some fourteen or fifteen feet before you ever get to the man's desk. I know of one office down in the Confederation Building which is occupied by only one man, and it is half the size of this room. I think steps could be taken to save money in cutting down the space in offices of this size. It seems that every man wants a room of his own and every man's stenographer wants a room of her own. We have to use common sense in this. I would suggest that in the future office space should be designed with this thought in mind. Just go down to the Confederation Building and take a look at some of the offices down there. There is no rhyme nor reason for the size of some of them. I know that Mr. Murphy is not to blame for this.

Hon. Mr. KING: I would suggest to the honourable Senator that he take a look at the building across the street which houses the Customs and Excise officials. It is just about the most beautiful office building in Ottawa. It has large rooms and the hallways are very wide. They just don't build buildings like that nowadays.

Hon. Mr. REID: The Confederation Building is not too old.

Hon. Mr. KING: It is pretty old. You have to go into the more modern buildings to find the smaller rooms. The Royal York Hotel is one of the largest in the world and yet its rooms are among the smallest of any hotel in the country. That is the modern idea. I believe that this idea prevails in the new buildings put up by Public Works today. However, Senator Reid's point is well taken.

Hon. Mr. GOLDING: It is not only the civil servants who want rooms the size of this one here. You will find that right here in this building there is an awful fight in order to supply the members with rooms to themselves.

Mr. MURPHY: I do not think this opportunity should be missed to put in the humorous side. I am quite convinced that when Senator Reid went down to the Confederation Building he visited the office of the Auditor General.

Hon. Mr. REID: No.

Mr. MURPHY: If the senator is keen in the matter of conserving space, may I say to all and sundry that it is extremely doubtful whether there is a larger office in the government service—whether occupied by a cabinet minister or any other person—that that occupied by the Auditor General.

Hon. Mr. ISNOR: I should like to ask Mr. Murphy if Part II of the Act, with respect to orders in council, is generally observed?

Mr. MURPHY: It has to be observed. You will notice that Public Works tried to change section 36. That not only covers Public Works but all others.

Hon. Mr. ISNOR: I am thinking of the other departments taking over.

Mr. MURPHY: As the former minister has explained, you will find that any organization will try to get that section—the work that ordinarily goes to Public Works—as part of theirs.

Hon. Mr. ISNOR: If it is necessary to have it done by order in council, that is carried out, is it?

Mr. MURPHY: You will find that the Treasury Board or the Department of Finance act as a brake in this matter, and if one department is unwilling to accept the authority which is there, you have a chance to battle your claims.

The CHAIRMAN: We are about through. I notice you have in your estimates for "Rentals" the figure of \$5,854,680.

Mr. MURPHY: That is right.

The CHAIRMAN: Do you supply the offices for the Unemployment Insurance Commission?

Mr. MURPHY: We supply them but the Unemployment Insurance Commission reimburse us. We make the arrangements in order to prevent entry into competition, one with the other.

The CHAIRMAN: I suppose you rent for different departments of the government all over the country?

Mr. MURPHY: That is right.

The CHAIRMAN: Do you find that that policy is tending to expand?

Mr. MURPHY: The demand varies. You will find that there is a change in the different centres. Perhaps you need more space in London today than you do in Windsor. For instance, the Income Tax people want to open a new office in Windsor and so we have to increase their space there. Perhaps the London office does not require the same space as they formerly did, and adjustments are going on all the time.

The CHAIRMAN: You have an item here of \$2,300,000 for "Municipal or Public Utility Services". That is for light and that sort of thing, I suppose?

Mr. MURPHY: Light, water and power services, and that sort of thing.

The CHAIRMAN: You have no taxes?

Mr. MURPHY: We pay no taxes.

Hon. Mr. ASELTINE: I should like to be able to get that information I asked for in connection with the East Block and have it placed on the record at some future time.

Mr. MURPHY: I shall have that prepared.

Hon. Mr. REID: The department at one time not so long ago was faced with the difficulty of providing office space and was forced in many instances to rent at what I considered fairly exorbitant rates. They probably were the prevailing rates all right, but I thought it might be advisable if the government could house each federal department in its own building. Is it the policy to do that now?

Mr. MURPHY: We try to do that as far as possible, but at no time in many years have we had as much rented space as we have now. The reason for that is that we were not able to build during the war, and following the war we have been subject to various restrictions. Priorities were given on critical materials required to commerce, industry and for the preparedness program. We have plans prepared for a great many public buildings in major centres, but with the restrictions on building materials, manpower and construction of office buildings, recreation buildings and amusement buildings, and so on, we do not feel we are justified in going ahead with our own construction program just now.

The CHAIRMAN: If there are no further questions, I will express the thanks of the committee to Mr. Murphy for coming here, and the hope that he will not think badly of us because of the questions we have asked.

The committee thereupon adjourned, until 11 o'clock tomorrow morning, Thursday, May 29, 1952.

1952

Government
Publications

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953

No. 7

THURSDAY, MAY 29, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

Mr. R. B. Bryce, Secretary, Treasury Board.

The Honourable L. B. Pearson, P.C., Secretary of State for External
Affairs.

EXHIBIT:

No. 6. Reported Numbers of Employees of the Government of Canada
(excluding members of the armed services and R.C.M.P.) as at March
31, 1939, 1948, 1949, 1950, 1951 and 1952.

THE STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

The Honourable Senators:

Aseltine
Baird
Barbour
Beaubien
Bouffard
Buchanan
Burchill
Campbell
Crerar
Dupuis
Euler
Fafard
Farris

Fogo
Fraser
Gershaw
Golding
*Haig
Hawkins
Hayden
Horner
Isnor
King
Lacasse
Lambert
McDonald

Paterson
Petten
Pirie
Quinn
Reid
*Robertson
Roebuck
Stambaugh
Taylor
Turgeon
Vaillancourt
Vien (38)

*Ex officio member

50 Members
(Quorum 9)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate,
Wednesday, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial, and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 29, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.45 a.m.

Present: The Honourable Senators: Crerar, Chairman; Aseltine, Barbour, Beaubien, Euler, Fafard, Fraser, Gershaw, Golding, Haig, Hawkins, Horner, King, Paterson, Reid and Taylor.—16.

Consideration of the order of reference of March 26, 1952, was resumed.

The following were heard:

Mr. R. B. Bryce, Secretary, Treasury Board.

Honourable L. B. Pearson, P.C., Secretary of State for External Affairs.

At 1.00 p.m. the Committee adjourned until Wednesday next, June 4, at 11.30 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, May 29, 1952.

The Standing Committee on Finance, which was authorized to examine the Estimates for the fiscal year ending March 31, 1953, met this day at 11.45 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: Now, we are ready to proceed with our business this morning.

Hon. Mr. ASELTINE: Before we proceed, Mr. Chairman: did you receive any answer to the questions which I asked yesterday?

The CHAIRMAN: Just a moment; I am coming to that: I have not overlooked that, Senator Aseltine. We will first circulate this revised statement of the numbers of employees of the Government of Canada, excluding members of the armed forces and R.C.M.P., as of March 31, 1939 and from then on down to 1952.

We have Mr. Bryce here this morning to answer any questions that may be asked in regard to this statement.

There is also the matter of Senator Isnor's questions, which Mr. Bryce was going to answer if possible.

I am also to announce that Mr. Pearson is coming up at 12.15 to give the information which was asked for when we had the External Affairs estimates under consideration the other day, relating to United Nations expenditures and the expenditures under the specialized agencies of the United Nations.

So, without more ado, I will ask Mr. Bryce to come forward. First, Mr. Bryce, have you got the answer to Senator Isnor's third question the other day?

Mr. BRYCE: Regarding the publications, sir?

The CHAIRMAN: Yes.

Mr. BRYCE: No, I am sorry, I have not, yet. I have asked all the departments to submit us information as quickly as they can, but there is no central place where all these are listed systematically, so I have got to collect information from the department responsible for them.

The CHAIRMAN: Very well; we shall have at a later meeting?

Mr. BRYCE: Yes.

The CHAIRMAN: Now, Senator Aseltine, did you have some questions?

Hon. Mr. ASELTINE: I asked a question yesterday with regard to the East Block, and Mr. Murphy was supposed to give you the answers.

The CHAIRMAN: No, I have not got that answer from Mr. Murphy yet. But if it is not forthcoming in a day or so I shall remind him.

Hon. Mr. ASELTINE: That is all right.

The CHAIRMAN: You have this statement before you and we can deal with it. Perhaps I can suggest to Mr. Bryce that he might give us information as to how this statement is compiled, because yesterday, when we were examining the estimates of the Public Works Department, Mr. Murphy's estimate on the number of employees on their payroll varied from the total given here for Public Works.

Hon. Mr. ROSS: First of all, who is Mr. Bryce?

The CHAIRMAN: In reply to the question of Senator Ross, Mr. Bryce is one of the Assistant Deputy Ministers of the Department of Finance, and has the supervision of Treasury Board work in the department.

Hon. Mr. HAIG: As Secretary, is he not?

Mr. BRYCE: Yes, sir, Secretary.

The CHAIRMAN: Mr. Bryce is Secretary of the Treasury Board.

Hon. Mr. HAIG: You are well on the way if you can get an estimate past him!

Mr. BRYCE: In answer to your question, Senator Crerar, these figures are from two sources. As noted at the top, the numbers reported by the Dominion Bureau of Statistics are the numbers that come out in their published bulletin, of which this is a copy of the latest issue, except that the figures for 1952 are unpublished as yet by the Bureau in their bulletin, but have been given to us in a preliminary way as quickly as they could get them together for the purposes of this committee. The figures in here for 1951, similarly, were given to the Department of Finance by the Bureau before they had published their bulletin; and in their latest publication they have revised a few of them slightly, and in that revision they have put in a figure for Public Works for 1951 which corresponds with the figure Mr. Murphy gave the committee yesterday, so that there is a revision there. Secondly, in regard to the basis of the figures, the Bureau of Statistics figures are essentially the numbers of people on regular monthly payrolls, but they are the number of such people receiving cheques during the month in question. In other words the number for the Department of Public Works, let us say, which was in question yesterday, is the number of people that were on the payroll during the month. That is the convenient way for them to get statistics that are comparable with business.

Hon. Mr. BARBOUR: Some had only worked, perhaps, a few days?

Mr. BRYCE: Yes; and it may be they have one man on in the early part of the month and he is replaced later; in that case there would be two reported. We have endeavoured for the purposes of the committee in the list in the three columns on the right-hand side to show only numbers of employees at the end of the month, so that there would not be any duplication, and that is one reason why our figures for the Department of Public Works here are somewhat smaller than those shown by the Bureau of Statistics, and those that Mr. Murphy gave the committee. In other words, we try to give the actual numbers at the end of the month. Secondly, in the figures that were provided for the committee here we have excluded from the Public Works employees certain revenue postmasters who are already enumerated in the report under the Post Office, because we did not want to have that duplication. But the Bureau of Statistics do not cover the revenue postmasters in their figures, so they have included the people who work perhaps an hour or two a day for Public Works as though they were Public Works employees. That is the reason for the discrepancy between the figures. I agree that it is confusing, but we have tried, for the purposes of this committee, in the last three columns to get figures that are as comprehensive and as definite as possible.

The CHAIRMAN: For all these years from 1939 on, the number of employees have been calculated on a comparable basis all the way through?

Mr. BRYCE: Yes, that is the reason we have put in the Dominion Bureau of Statistics figures. They are the regularly published figures and they are the only figures that extend back over a long period of years, so I thought the committee might like to have these.

The CHAIRMAN: Taking the last three years these figures would indicate that there was a growth of from 156,000 in 1950 to 157,000 in 1951 and 170,000 in 1952?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: Could you give the committee any information as to how this increase arose?

Mr. BRYCE: I had compiled, to try and shed some light on it, the figures excluding Defence and Defence Production and Civil Defence.

The CHAIRMAN: Those are excluded?

Mr. BRYCE: No, they are all included here in the printed table. This is a comprehensive table which covers them all. You will notice that there are quite large numbers in here for National Defence. Excluding the Defence figures the actual numbers for 1950 were 131,634; for 1951, the same date of March 31, there were 127,675, in other words, about 4,000 less. For 1952, about two months ago, there were 128,720. In other words, about 1,000 more than the preceding year.

Hon. Mr. BEAUBIEN: That is outside the three defence departments?

Mr. BRYCE: Yes. I inquired to see whether the R.C.M. Police, which have been expanding, made any significant difference in the totals which I have just given you, and I learned that they are not responsible for much of this.

Hon. Mr. BEAUBIEN: But they are included?

Mr. BRYCE: Yes. They are included in the sub-totals I have just given you. I then had a further sub-total prepared excluding not only Defence but also the R.C.M. Police, the Research Council, and Mines and Surveys, all of whom are doing a lot of work comparable in one way or another with defence, relating indirectly to defence. If we exclude all those, the figures are then: In 1950, 126,190, a year ago, in March 1951, the figures are 121,770; in March of this year, two months ago, the figures are 122,513. So that one might then generalize and say that if we exclude all those units that are directly related to defence or security or research work tying in with defence, directly or indirectly, the size of the Civil Service shrank by about 4½ thousand between the spring of 1950 and the spring of 1951, and it has increased by about 800 in the past year.

Hon. Mr. REID: What would be the total number of civil servants in Ottawa?

Mr. BRYCE: In Ottawa there are about 30,000 civil servants. It might be a little more now, but the Bureau of Statistics figures, which were recently published, show that a year ago the number of employees at departmental headquarters was 30,000. That almost entirely coincides with Ottawa, I understand.

Hon. Mr. DAVIES: Do the figures for External Affairs include the staffs of the ambassadors scattered throughout various countries?

Mr. BRYCE: They would include those who are employees of the government. There are three servants allowed to each head of a mission. Normally they are a butler, a gardener and a chauffeur. They are, so to speak, continuing servants.

Hon. Mr. DAVIES: Do they not include the officials of the embassies?

Mr. BRYCE: Oh, yes, and they would also include normally three servants in or around the residence of the ambassador.

The CHAIRMAN: Mr. Bryce's explanation throws a fresh light on the total of these figures. Would it be fair to say, Mr. Bryce, that the increase which at first blush looks very substantial, has been due practically altogether to the increase in the civil service personnel of the defence services?

Mr. BRYCE: Yes, sir. I could perhaps give you the totals for the three defence departments. In round figures they have increased from about 25,000 in 1950 to about 42,000 at the present time.

The CHAIRMAN: Is it the practice of the defence services to employ civilian personnel in outlying offices?

Mr. BRYCE: They employ a large number of civil personnel. Some are employed at office work and others are employed on regular construction labour, and there are quite a number who are employed where they are deficient in their military establishments. They will be employed for sort of "house-keeping" duties, looking after depots and office work and schools and training centres and things of that sort.

The CHAIRMAN: If the defence services require an air strip and they let out a contract for the work, are the contractor's personnel included in the number of employees?

Mr. BRYCE: No, it will only be the direct employees. Of course, however, there is a large amount of maintenance construction done directly by the department in which connection labour is hired for the purpose.

The CHAIRMAN: That is a considerable increase. I am not criticizing, but what is the total number of enlisted personnel in the defence services at the moment?

Mr. BRYCE: Speaking from memory, it would be in the order of about 100,000.

The CHAIRMAN: We have an enlisted personnel of about 100,000, and we have a civilian personnel of about—

Mr. BRYCE: 40,000.

Hon. Mr. REID: I suppose the services have a lot of men in uniform who are doing clerical work similar to civilians?

Mr. BRYCE: Quite a number of them do work of a civilian character. One must realize, of course, that in the modern air force, for example, the number of men who actually get into contact with the enemy is small. There are a great number who are engaged in maintaining air bases, working radar, maintaining equipment and machinery and so on, and as they become more mechanized and more dependent upon equipment of one kind and another, the services become more and more like an industrial operation in some respects.

The CHAIRMAN: This will include the civil personnel as well?

Mr. BRYCE: Yes, sir.

Hon. Mr. PATERSON: Mr. Chairman, I did not quite understand Mr. Bryce's explanation of the huge increase in the Post Office Department from 19,000 to 33,000. I wonder if you would briefly explain that again, Mr. Bryce.

Mr. BRYCE: Yes, sir. I did not make that as clear as I should have. The figures for the Post Office, in the three columns on the right, include those post office employees who are paid out of revenue. The law permits a certain proportion of the revenue to be paid to employees in what we call the revenue post offices. The figures in the other columns, those reported by the Bureau of Statistics, do not include the revenue post offices. That is the reason for the big difference between the figures, sir.

Hon. Mr. PATERSON: The employees in the revenue post offices, as you call them, are paid indirectly by commissions on the sale of stamps, and so on?

Mr. BRYCE: Yes, sir. But we felt it was proper to include in the figures reported to the committee the employees of the revenue post offices.

Hon. Mr. KING: Are they employees of the smaller offices that are paid out of revenue?

Mr. BRYCE: Yes, sir.

Hon. Mr. BEAUBIEN: How many employees are in the revenue post offices?

Mr. BRYCE: The revenue post office workers were 14,065 in 1950; 14,024 in 1951, and 14,267 in 1952.

Hon. Mr. DAVIES: Mr. Chairman, I would like to ask Mr. Bryce a question. Has the Treasury Board any control over the amount of money that may be spent as expenses by departmental officials when travelling? Is there, for instance, any limit to the expense allowance per day that is payable to, say, an officer of the Department of National Defence, or of any other department, or may an official run up an expense account to an unlimited amount?

Mr. BRYCE: Well, sir, the central organization of the government—the Cabinet and the Treasury Board and such—is essentially a budgeting and policy organization, which decides on policies, makes regulations and sets budgets, whereas the individual departments and the ministers responsible for them are what I would call the managerial units. The responsibility for the amount allowed to an officer of any department for travelling expenses is essentially a managerial responsibility. The Treasury Board makes certain regulations regarding travel; those regulations are very extensive and are published, and can be filed with the committee, if you so desire. But those regulations do not establish any allowances *per diem* for civil servants. I think I may have explained last year that the essential reason for that is that the costs of travel vary so greatly in this country that what might be a reasonable *per diem* allowance for some one who is sent on a trip to Montreal or Toronto on business lasting a day or two, and who has to stay and get his meals at a downtown hotel, would be far too high for an inspector in, let us say, the Department of Fisheries or the Department of Agriculture who is travelling through certain parts of the country and staying in small towns. We came to the conclusion that we could not adopt a uniform *per diem* allowance that would not be too expensive, unless it was unfairly low in some cases. In other words, variations in the costs of travel, depending on the location and the type of work, are so great that we really have to leave the responsibility for the control of the amount to the managerial unit, namely, the department concerned and the minister responsible for it. But the type of expenditure that may be incurred is established by regulation. We have wondered at times whether it is possible to work out what would be a highly complicated system of *per diem* allowance that would relate to the nature of the work and the kind of place visited, in every case; but it would be so complicated that I am not sure that it would be clear either to civil servants or to parliament, sir.

Hon. Mr. BEAUBIEN: Are the expenditures for travel approved by the minister of the department concerned before going to the Auditor General?

Mr. BRYCE: Normally, sir, there are two stages of approval. A senior officer of a department must normally authorize anyone to go on a trip at government expense, and there are certain designated officials who may approve the expense account when the departmental official returns from his trip. Then, of course, the office of the Comptroller of the Treasury audits the account after it has been approved by the department. Sometimes a department will ask the Treasury Office for its comment before approving an account, to save a duplicate examination. By and large, there are those controls. I might say, sir, if I may be allowed, that the main problem we run into is whether a trip is necessary. It is rather that than whether someone spends too much when on a trip.

Hon. Mr. BARBOUR: There certainly are a good many trips.

Mr. BRYCE: I must confess, sir, it is exceedingly difficult to look from outside on the travel budget of a department and say that too much travel is done by officials of that department. I have my suspicions at times, but I have not been able to prove them.

Hon. Mr. REID: The departments find no difficulty, I imagine, in putting forward reasons why trips should be made.

Mr. BRYCE: It is often rather intangible, sir. A man may be engaged in research work of some kind or other, and his department may feel it would be useful for him to go to a conference and meet people doing similar work. I must confess that if we are paying a man, say, \$5,000 a year to engage in a certain type of investigation, it might be well worthwhile to expend \$500 in travelling expenses to a conference, if by going there he could learn something that would save him a good deal of work and make him far more productive.

Hon. Mr. BEAUBIEN: Apparently if there is to be any worthwhile reduction in travelling expenses it will have to be made by the ministers in charge of the various departments?

Mr. BRYCE: And their senior officials, sir.

Hon. Mr. PATERSON: Mr. Chairman, may I ask a question of Mr. Bryce? Last year, when the director of the Film Board was before a sub-committee of Senator Reid and I, it was pointed out that the Board required a lot of temporary employees to make films at points in distant places, such as California or other places. Are they enumerated in this list?

Mr. BRYCE: They should be; as far as we know they are. The list certainly includes the regular production staff, and those who are not permanent employees but who were hired for some months. Whether it includes every casual employee that comes in, I do not know. It should include those on strength at the end of March, but I would point out that that date is not the most favourable time for making films. It may well be that there is additional seasonal help in such months as June, July and August.

Hon. Mr. PATERSON: That would make a higher figure.

Mr. BRYCE: That would make the figure higher than this one.

Hon. Mr. REID: Does Mr. Bryce have any information on the increase of employees for the Board of Grain Commissioners and the Canadian Government Elevators? I notice the employees of the Canadian Government Elevators have increased about 80 per cent from 1950 to 1952, and that the Board of Grain Commissioners show an increase from 806 to 874.

Mr. BRYCE: The nature of last year's crop imposed much heavier work on the elevators, and required more help to handle the damp and tough grain. Things of that nature have made it necessary to increase the staff in the elevators, and indeed to open certain additional government elevators that had been closed, to be used for the purpose of drying and processing grain.

Secondly, the inspection work of the Board of Grain Commissioners has been made more difficult by reason of the nature of the crop. That is the main cause of the difference; there is no change in general activities.

The CHAIRMAN: According to the estimates shown in the summary of standard objects of expenditures and special categories, I note that under the heading "Telephones, Telegrams and Other Communication Services", apart from Defence, Defence Production and Civil Defence, there is a sum in excess of \$5,600,000. May I ask you, do you ever suspect that the long distance telephone is used when an air mail letter would do the job just as well?

Mr. BRYCE: I suspect that, but I could not prove it. We have endeavoured to cut down our long distance telephone bills by installing private lines to Montreal and Toronto, where we of course have large government offices and do a great deal of business. Those lines are operated by the Department of Finance, telephone service office. On those lines we repeatedly call the attention of departments to those who have calls exceeding ten minutes, in an attempt to inform their officers that long distance telephone calls should be kept to a minimum length. I recently sent a circular to the departments pointing out that the unnecessary use of these lines was holding up other people;

that it was not only uneconomical, but it was discourteous to those who really required the service.

The CHAIRMAN: From my experience and observation, I would say that it is a tendency that can very easily develop, unless it is under pretty close check.

Hon. Mr. HAWKINS: That is true not only of government but of industry, and it is a difficult thing to check.

The CHAIRMAN: We will now suspend operations with Mr. Bryce for a few minutes, as I see Mr. Pearson is here.

Hon. Mr. HAIG: I do not think we should hold Mr. Bryce any further today.

The CHAIRMAN: If that is the view of the committee, we will release Mr. Bryce, and thank him for his appearance here today, and assure him that we may call upon him though we hope we will not have to.

Hon. Mr. HAIG: We like him pretty well.

The CHAIRMAN: Mr. Pearson, we had Mr. Hemsley, the Acting Under Secretary of State for External Affairs, before our committee the other day, when we were inquiring as to the amounts of money that your department was spending. We have a few questions to ask about the information shown on page 14 of the blue book, and we desire to get from you some additional information on such matters as the United Nations Organization, for which \$1,463,000 was approved for this year; also, as to the specialized agencies, of which there appear to be quite a number, for which there is an expenditure of \$850,000. Perhaps you would like to make a general statement covering such matters?

Hon. L. B. PEARSON, Minister of External Affairs: Mr. Chairman, in so far as the contribution to the United Nations is concerned, the amount we pay is, as I am sure the members of the committee know, worked out as a percentage of the total budget, after a pretty long and careful consideration at the United Nations General Assembly each year. It is discussed and considered in the Fifth Committee; and I know that at least one of your members has had something to do with the workings of that committee. We try to make sure that our percentage is fair and reasonable in the light of our capacity to pay and of what other countries are paying, as well as of the activities of the organization generally.

We are also very anxious in that committee—and we are not the only people who hold this view—to keep the expenses of the United Nations down to a minimum. Obviously, if we keep the total budget down, our contribution will be reduced accordingly. We have paid particular attention to the Fifth Committee of the General Assembly; it is the administrative and budgetary committee. As a matter of fact, we have supplied the chairman for that committee on three or four occasions; the chairman last year was a Canadian. We also have as our representative on that committee a member of the delegation who is particularly concerned and informed about administrative and budgetary questions, and he would have with him someone from the Department of Finance, on the Treasury side. If you went into the activities of that committee you would find, I am sure, that the Canadian delegation had been amongst the leaders of those who are trying to keep expenditures down. We have succeeded to some extent in reducing budgetary expenditures, but there is always pressure for new activities in international affairs, just as there is pressure for new activities in domestic affairs; and that pressure, in an international organization, is somewhat more difficult to meet than it is in domestic affairs because there are countries in these international organizations who do not contribute very much to the budget, because they are poor countries, but who do benefit a good deal from the activities of the United Nations merely because they are undeveloped countries and get so much assistance. So it is in their interest, not always but

often, to put forward schemes for expenditures which the rest of us who have to contribute most of the money consider uneconomic. The result of all this is that in recent years we have, I think, kept the budget of the United Nations down to a reasonable limit, though no doubt there is room for further improvement. But it is the same problem that you have at home. Some countries demand extra services and new activities and are more interested in the new activities than they are in the money to pay for those activities. Other countries—and we like to feel we are one of them—are always concerned that any new activity will result in proportionate benefit to those who are members of the organization. I have not the figure before me, but I believe that our total contribution to the United Nations is something over a million dollars, which is not a very large sum of money to pay if the United Nations is even beginning to do the job it was set up to do. I suppose that in terms of war expenditure our actual contribution to the United Nations is about the equivalent of three jet fighters—which, in those terms, does not seem to be extravagant.

Hon. Mr. HAIG: Right there: there was no objection in the committee, Mr. Minister, regarding the United Nations itself. I think we made that abundantly clear. We practically used the words you have used today, namely, that there are defects, and all that kind of thing, but, as some of us put it, suggest a better course, and none were able to do so. It is more in the specialized departments, the municipal and all those other organizations.

Hon. Mr. PEARSON: The specialized agencies, of which there are a good many, of course, control their own affairs and their own budgets. Their budgets are not determined by the United Nations but by the assemblies of the specialized agencies. In general, I think it is fair to say that we try to adopt in our delegations to these meetings the same attitude we adopt in the United Nations itself,—make sure that the activities are worth while and that we ourselves are not paying too much in proportion to what is being paid by others.

Hon. Mr. HAIG: Can Canada withdraw from these specialized agencies if she wishes?

Hon. Mr. PEARSON: Yes, we can withdraw from them at any time.

Hon. Mr. HAIG: Thank you.

Hon. Mr. PEARSON: In some of the constitutions of the agencies there is no provision made for withdrawal, but that does not mean you cannot withdraw. For instance, the Russians and all their satellites have withdrawn from the Food and Agriculture Organization and have given notice of their intention to withdraw from the World Health Organization. The constitution of at least one of these organizations does not provide for withdrawal; therefore technically the other nations consider them as belonging to the organization and they are classed as "inactive". The important thing is that they do not pay anything to it and consider themselves non-members. We could take the same course at any time if we desired to do so.

Hon. Mr. REID: Do the budgets of these special organizations come out of the budget for the United Nations?

Hon. Mr. PEARSON: No.

Hon. Mr. REID: They are separate and apart?

Hon. Mr. PEARSON: Separate budgets, which are determined by the nations themselves; and our contributions to these budgets are determined separately from our contribution to the United Nations.

Hon. Mr. REID: Are there any countries delinquent in their payments to the United Nations? If so, how does the United Nations carry on?

Hon. Mr. PEARSON: In the United Nations itself there are very few countries that are delinquent. Maybe Mr. Hemsley can give me the figures. I recall that

in the old League of Nations that was quite a problem: a lot of governments did not pay up. That has not been the experience with the United Nations. There are very few delinquent countries. We did at San Francisco put a provision in the Charter of the United Nations by which those countries which did not pay should not vote.

Hon. Mr. REID: How does our contribution to the United Nations compare with that of that well-off country, Soviet Russia, that gets most out of the United Nations?

Hon. Mr. PEARSON: That has been a very important subject of discussion and, indeed, controversy at the United Nations. For two or three years now we and others have felt that the U.S.S.R. is not paying enough.

Hon. Mr. HAIG: Hear, hear.

Hon. Mr. PEARSON: And in relation to the U.S.S.R., that we are paying too much. The U.S.S.R. was given a very low percentage of the total budget at the beginning because of the destruction in that country resulting from the war. At that time that was not, I think, an unreasonable position to take. They had suffered more in a material sense from the war than any other country, and they claimed at that time that they should not be assessed on a basis of capacity to pay in an economic sense without some allowance being made for the terrific problems of reconstruction which they had; and that was agreed to by everybody. We feel now, and have felt for two or three years, that that consideration should not avail any longer; they have had time to recover, and if they have not, they have found lots of money for other purposes. So their contribution has increased in recent years. At each general assembly we get it up a little more. It is not an easy process. It is up now to nearly 10 per cent of the total expenses.

Hon. Mr. REID: Do they keep paid up?

Hon. Mr. PEARSON: Yes, they do; and now they, with Byelorussia and the Ukraine, which are really constituent parts, pay about 11 or something over 11 per cent. That is getting closer to a figure which we think is fair.

Hon. Mr. GOLDING: Eleven per cent of what cost?

Hon. Mr. PEARSON: Eleven per cent of the total expenses of the United Nations.

Hon. Mr. GOLDING: Do you know what the total expenditure would be?

Hon. Mr. PEARSON: It is something around \$50,000,000, I think.

Hon. Mr. HAIG: Eleven per cent is \$50,000,000?

Hon. Mr. PEARSON: No; the budget of the United Nations in 1951 was \$42,570,000; and that, the U.S.S.R., the Ukraine and Byelorussia, the latter two being states of the U.S.S.R., paid something over 11 per cent. That would be between four and five million dollars.

Hon. Mr. REID: What is our percentage?

Hon. Mr. PEARSON: Our percentage is 3.35. We have taken the stand at recent meetings that our percentage should be reduced and that the Communist states' percentage should be increased. One of the complicating factors in this—and it applies not only to the United Nations but to the budgets of the specialized agencies, and indeed, to all international organizations of which the United States is a member—is that if you assess the individual countries upon the basis of capacity to pay, the United States will always bear something between 60 and 70 per cent of the cost of the organization, because the wealth of the United States and its economic strength is usually somewhere around that proportion in relation to other countries. The Americans claim, and there is some reason for their claim, that no one member of an organization which has only one vote, should contribute, say, two-thirds of the expenses of

that organization, and that there should be a ceiling on the contribution of any one country, unless you are going to adopt a system of weighted voting. The ceiling the Americans are now trying to establish for international organizations—and Congress has been instrumental in prodding them for this—is that they never pay more than one-third of the total cost.

Hon. Mr. EULER: On what basis do you fix the percentage?

Hon. Mr. PEARSON: There are a good many criteria, and one is the capacity to pay. In the case of the United States, however, they insist that this must be modified by this other principle which I have just mentioned, that no one country should pay more than one-third of the total cost.

Hon. Mr. REID: The Russians should be paying more.

Hon. Mr. PEARSON: The Administrative and Budgetary Committee reviews these amounts every year and we hope to get the Russians to pay a little more next year.

Hon. Mr. EULER: Who conducts this revision work?

Hon. Mr. PEARSON: A committee of the United Nations General Assembly, and there is also a standing committee which works on this matter between sessions.

Hon. Mr. HAIG: Do you recall who was the chairman of the first committee? I think it was a Mexican or a Brazilian.

Hon. Mr. PEARSON: I cannot remember, Senator Haig. I think you were there.

Hon. Mr. HAIG: Yes, I was there. He impressed me as being the most able man I have ever heard on finances.

Hon. Mr. PEARSON: Was it not a Greek? Was it not Mr. Agnides?

Hon. Mr. HAIG: I think he was from Brazil or Mexico, I forget which.

Hon. Mr. PEARSON: In percentages our own costs involved in these usually run from 3 to 4 per cent. In terms of our relationship to the United States, that is usually a little high.

Hon. Mr. EULER: More than half of what Russia pays, is it not?

Hon. Mr. PEARSON: No, Russia pays between 11 and 12 per cent.

Hon. Mr. EULER: Oh, I thought you said 5 per cent.

Hon. Mr. PEARSON: No, between 11 and 12 per cent.

Hon. Mr. REID: Has the United Nations any difficulty in collecting from all the countries? Do all the countries pay up?

Hon. Mr. PEARSON: The delinquents have been few, and the amounts have been small. For the most part the delinquents have been smaller countries whose contributions are low in any event. I think the Chinese are a little behind at the present time, but that is probably understandable because their sources of revenue in China—that is, sources of the Nationalist Government in Formosa—are to say the least, limited.

Hon. Mr. KING: But they do pay something?

Hon. Mr. PEARSON: Yes, and they have paid a high proportion of their contribution.

Hon. Mr. EULER: Does communist China want to enter the United Nations?

Hon. Mr. PEARSON: Yes.

Hon. Mr. EULER: You might get a lot of money from them.

Hon. Mr. PEARSON: You might. You might get other things too.

The CHAIRMAN: Regarding the specialist agencies, would it be a fair assumption that our contribution to these—

Hon. Mr. HAIG: Let Mr. Pearson tell about each one, and what they will give and what they will do.

Hon. Mr. PEARSON: The specialized agencies are the Food and Agriculture Organization, the Universal Postal Union, the United Nations International Children's Emergency Fund, which is a temporary one, the World Health Organization, the International Civil Aviation Organization, which has its headquarters in Montreal, the International Labour Organization, the International Bank for Reconstruction and Development, and the International Monetary Fund. If you ask me what all these agencies do and whether we get value for the contributions that we make to them, I would have to reply that I am not a specialist in this. The Food and Agriculture Organization, with which I was once associated, is a pretty effective body, but if you had someone here like Dr. Barton, who has been our representative at all the meetings of that organization, he could tell you exactly what it has done. I can refer you to various sources of information outlining what these organizations have done. The External Affairs Bulletin of February 1952, for instance, contains an article outlining what the Food and Agriculture Organization has done and what its value has been to Canada. Similar articles are published concerning other organizations. In the expenditures—

Hon. Mr. HAIG: I should like you to discuss, after you get through with the expenditures, the International Bank. I am wondering about it.

The CHAIRMAN: Before we deal with that I would like to ask Mr. Pearson if our contribution to these specialist agencies will be about the same relatively as our contribution to the United Nations? We contribute to the United Nations 3·5, I think, you said of its budget.

Hon. Mr. REID: 3·3.

Hon. Mr. PEARSON: In some agencies it is higher than that. Take the Food and Agriculture Organization. Neither Russia nor any of her satellites contribute anything to that organization. Therefore there are fewer members of that organization to pay the whole budget, so our percentage there, for that reason, is a little higher. At 4·5, in terms of money, the expenditures of course are much less than the main United Nations Organization, but in terms of percentages they are sometimes higher because of the more limited membership, and therefore the total budget has to be divided among fewer countries.

The CHAIRMAN: What do you say about the criticism that is occasionally heard to the effect that the Food and Agriculture Organization is a sort of peregrinating organization, which holds its meetings in Copenhagen one year, in Rome another year and in Mexico City still another year? We also hear some criticism about the fact that in Canada we send what I believe are called official advisers, who are drawn mainly from the farmers' organizations.

Hon. Mr. PEARSON: As to the peregrinating part, they have now a permanent headquarters. I believe they have settled in Rome and that their assembly will be held in Rome from now on. This habit of having international meetings in different places adds to the expense of the meetings. On the other hand, it has been pointed out to us at the United Nations that it would be a mistake if we had all our United Nations meetings in one place, say, in New York, and that it is a very useful thing to have a United Nations Assembly occasionally in Europe so that it will not seem that the activities of the organization are focussed entirely on one place in one country. The North Atlantic Council, for instance, has been meeting in different capitals every time it has met. We have found that this has been expensive, and we are now establishing a permanent headquarters in the city of Paris. The same applies to the F.A.O., and its headquarters are now in Rome, and I take it that their meetings will be held there from now on. You asked me about the composition of the Canadian delegations at these meetings. I think people from Agriculture would be more competent to explain the purposes and the reason for the kind of representation that is required.

Hon. Mr. HAIG: What do they do?— That is what I can never figure out. What benefit ever comes to Canada as a result of those meetings?

Hon. Mr. PEARSON: I do not want to pose as an expert on the work of the Food and Agriculture Organization, because I am not. I am sure that if Dr. Barton appeared before you—and I know he would be only too glad to come here—he would be able to tell you of what benefit the work of this organization has been to Canada. I can speak with more authority on those international organizations about which I am supposed to know something, such as the General Assembly, the Security Council, the NATO Council, and so on.

Hon. Mr. HAIG: We are inclined to agree with you as to the importance of those organizations, but there are other organizations that some of us do not feel so sure about and we can never tie anyone down to giving us definite information about them.

Hon. Mr. PEARSON: Senator Haig, I do not know whether the committee is considering inviting someone like Dr. Barton to come here, but, with respect, I should like to send over to you a copy of the bulletin in which we have attempted to summarize the value to us of the F.A.O. It contains four or five pages of print, and I do not think you would want me to read it to you at the present time.

Hon. Mr. HAIG: I shall be glad to receive a copy.

Hon. Mr. REID: Could the F.A.O. not have been located in that big building in New York?

Hon. Mr. PEARSON: No, Senator Reid, because that building is entirely occupied. It is of course a very large building, but not too large in terms of the secretariat employed.

Hon. Mr. HORNER: Is it entirely occupied by officials of the United Nations?

Hon. Mr. PEARSON: Yes.

Hon. Mr. HORNER: You mentioned that it had been found necessary to hold meetings in different countries. I was wondering about that, considering the great cost of that building. I saw a cartoon showing two old codgers looking up at the building, and one was saying to the other "An awful lot of money was spent on that building, just to provide a space for people to fight in."

Hon. Mr. PEARSON: It is not a lot of money if the work done there can prevent people from fighting.

Hon. Mr. HORNER: Those doors that Canada supplied must be very beautiful.

Hon. Mr. PEARSON: It is a beautiful building, but it is the headquarters of this great world organization. A citizen of the United States donated the site for the building, and contributions to it have been made by various other countries. We contributed seven doors.

Hon. Mr. REID: What is the total amount of our contribution to the United Nations, including all its organizations?

Hon. Mr. PEARSON: I will ask Mr. Hemsley to get that figure, sir.

Hon. Mr. REID: I agree with Senator Haig that we should have more information on some of the organizations. We know generally what is going on at the United Nations, but many people wonder what benefit Canada is getting for the money we pay to some of the bodies connected with the U.N.O. Criticism that one sometimes hears may be due to lack of information, and it might be advisable to have someone appear before us from, say, the F.A.O.

Hon. Mr. HAIG: I think the government is making a mistake in the type of representation it has at some of the organizations, and that the earlier policy followed by this government, as in 1946 and 1947, was much better. At that time members of the House of Commons and senators were delegated to attend meetings, and though they might not have been experts on the subjects discussed there they were representatives of the people and were

able afterwards to tell the people what had gone on. On the F.A.O., for instance, you have not a single representative from either house. A civil servant may be brainier and have more technical knowledge about a certain subject than a member of the Commons or a senator, but he is not responsible to the people.

Hon. Mr. PEARSON: I agree with you, Senator Haig, and I would point out that we do send members of parliament to those meetings.

Hon. Mr. HAIG: Not as you did at one time.

Hon. Mr. PEARSON: The facts can be checked, but I think you will find that at the meetings of the special organizations in the last two or three years there have been as many members of parliament as previously, if not perhaps more. At present the World Health Organization is holding its annual meeting at its headquarters in Geneva, and our chief delegate there is a member of parliament, who also is a medical doctor.

Hon. Mr. HAIG: That is proper.

Hon. Mr. PEARSON: The Economic and Social Council is at present meeting in New York. The head of our delegation there is a member of parliament, and there is another member of parliament with him. At the United Nations Assembly in Paris last year we had, I think, more members of parliament on our delegation than we ever had before. In the top ranks there were more members of parliament than officials. I agree with you, Senator Haig, that it is very important to have that kind of representation. It is true that members of parliament attending these meetings cannot be expected to be expert in all the subjects coming up for discussion, but they are experts in other things, in public opinion, and in assessing the value to their own country of what these organizations are trying to do.

Hon. Mr. REID: I criticized in the Senate a statement made recently that the educational organization was setting out to develop a world history. As a layman and one who has read a good deal of history I wonder why Canada should contribute to the cost of a project like that. It seems to me that the Canadian people have not enough information about what some of these organizations are doing. I know enough about organizations, as you do, to be aware that if they are left alone they will find enough to do.

Hon. Mr. PEARSON: That is true, and it applies to international organizations even more than to others. The one you have in mind, Senator Reid, is UNESCO?

Hon. Mr. REID: Yes.

Hon. Mr. PEARSON: It should be one of the most important international bodies that we have, for it is attempting to bring the countries together in other than material ways by exchanges of teachers and pupils, and by projects designed to help the various countries understand one another, and so on. Now, while an organization of that kind can be extremely valuable, it is also extremely vulnerable to people who may be very enthusiastic about something but have not much sense of reasonableness in expenditure. In the early days of UNESCO we found that almost very conceivable kind of project was being submitted to it, some of them of the most—I was going to say ridiculous—character, but the organization has done a lot of pruning of impractical proposals. You mentioned a proposed world history. I submit, with all respect, that if we could get some kind of international agreement on basic text books for history to be used in all countries we would go a long way towards improving international relations.

Hon. Mr. HAIG: Hear, hear.

Hon. Mr. PEARSON: UNESCO has tried to do this. If you compare the history books used in various countries you can more easily understand why the countries are suspicious of one another. We have that kind of thing right

on this continent. We all know how different the treatment of certain events in Canadian text books is from the treatment of the same events in United States text books. UNESCO has looked into this whole question to see if it is possible to get agreement on historical accounts in text books. I suspect that this object will never be achieved, but if too heavy expense is not involved it is a matter that well might be looked into. I am not speaking in support of the project right now, for I do not know much about it.

Hon. Mr. REID: What is our contribution to UNESCO?

Hon. Mr. PEARSON: We pay to UNESCO 3.74 per cent of its annual budget of \$8,718,000. That means that our contribution is \$331,800. That organization is under pretty intelligent direction. The present director is, I think, a Mexican by the name of Dr. Jaime Torres Bodet. He used to be a member of the Mexican Government.

Hon. Mr. DAVIES: Does our representation change each year?

Hon. Mr. PEARSON: We have no permanent representatives to UNESCO. There are some Canadians on the staff, and we send delegates to the annual meeting, but it is a small delegation, and they change each year; however, we add new people each year.

Hon. Mr. REID: Would our total contribution to all the United Nations Organizations be in excess of \$2½ million?

Hon. Mr. PEARSON: Our total contribution to United Nations and all specialized agencies in 1951-52 was about \$2,908,000; of that, roughly \$1½ million was for the United Nations Organization generally, and about \$1,400,000 for all the specialized agencies, including the Food and Agriculture Organization, the International Labour Organization, UNESCO, International Civil Aviation Organization, World Health Organization, the Commonwealth Economic and Shipping Committees, GATT, NATO and the United Nations Technical Assistance Program. The total cost to us for all those organizations amounts to \$1,400,000. I would point out that a total contribution of less than \$3 million for all international activities of this kind, from a budget such as we have today, is not out of line, if these organizations are doing a job.

Hon. Mr. HORNER: How is our contribution to the NATO Organization arrived at?

Hon. Mr. PEARSON: In the same way as we arrive at our contribution to the United Nations. We get around a table and try to divide up the cost on a fair and equitable basis. It is a much easier task in the North Atlantic Treaty Organization.

Hon. Mr. HORNER: There are not so many countries in it.

Hon. Mr. PEARSON: There are not so many in it, and we are always disposed to come to agreement.

Hon. Mr. HAIG: And you are all on the same side.

Hon. Mr. PEARSON: Nevertheless, we try to make sure that we don't pay a higher proportion of the costs than we think we should.

Hon. Mr. REID: May I ask Mr. Pearson, apart from the money contributed to keep the organizations going, would there not be considerable expense in sending delegates from the civil service to these areas?

Hon. Mr. PEARSON: Yes, there are additional expenditures for that purpose, and they are very considerable.

Hon. Mr. HAIG: If you don't pay them better than you paid the delegates to the United Nations in New York in 1946, you are not spending too much. We just got a high priced meal once in awhile.

Hon. Mr. PEARSON: I am glad to hear you say that.

Hon. Mr. HAIG: I know; I was there.

Hon. Mr. PEARSON: We get a good many complaints from members of parliament on the delegation, that they cannot exist at these meetings on the amount of money we allow them.

Hon. Mr. HAIG: They don't get rich on it.

Hon. Mr. PEARSON: Our delegation expenses, compared with other countries, are such as to indicate that we are not very extravagant in the money we spend in this way.

The CHAIRMAN: Are there any further questions?

Hon. Mr. PEARSON: Before I leave, I perhaps should answer the question about the arrears of contributions in the United Nations. As of March 31, 1952 the following countries were in default of their contribution to the United Nations in respect of the following amounts: Argentina, \$134,751; Bolivia, \$3—that is a bank charge which remains unpaid, and which I am sure Bolivia is capable of meeting; China—and this is the big amount—\$1,703,555; Guatemala, \$16,721. So, in the six years of operation of the United Nations, with a membership of some sixty or seventy countries, everybody—and we can leave out Bolivia—except Argentina, China and Guatemala have paid up. Indeed, there are really only two countries in arrears over the six years, because Argentina's default may just be a delay in making last year's payment. China is in a very special situation, because the Chinese membership in the United Nations is held by a government which has no longer access to the revenue of Continental China.

Hon. Mr. HAIG: We are very glad to have Mr. Pearson today, Mr. Chairman.

The CHAIRMAN: On behalf of the committee, I tender you our thanks.

Hon. Mr. PEARSON: I will be glad to come back at any time you wish me to.

The CHAIRMAN: When Mr. Hemsley of the External Affairs Department was before the committee the other day, he was asked a question about the cost of the *Canadian Leaflet*. I believe Senator Haig asked the question.

Hon. Mr. HAIG: Right.

The CHAIRMAN: Mr. Hemsley has since sent this letter dated May 22, which reads as follows:

I notice from the transcript of the Evidence taken at the meeting of the Senate Finance Committee on May 21, that on page C-5 I mention in connection with the cost of "The Canada Leaflet": "It will cost, I think, around 2 cents a copy". Again later on page M-2, I confirmed, in reply to a question from the Honourable Mr. Haig, that the costs would be \$25,000 at 2 cents a copy.

On checking my notes upon return to my office, I find that the probable cost of this publication will be 5 cents a copy and not 2 cents a copy.

I have not wished, of course, to change the Minutes of Evidence in this particular, but I thought it well to point out this fact in case the Committee might wish to note the amendment.

Hon. Mr. HAIG: Thank you.

The Committee adjourned until Wednesday, June 4, 1952, at 11 a.m.

STANDING COMMITTEE

EXHIBIT No. 6
REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA
(EXCLUDING MEMBERS OF THE ARMED SERVICES AND R.C.M.P.) AS AT MARCH 31, 1939, 1949, 1950, 1951 AND 1952

	Numbers Reported by Dominion Bureau of Statistics ⁽¹⁾					Numbers Reported by Department of Finance for the Purpose of this Report		
	1939	1948	1949	1950	1951	1952	1950	1951
Agriculture.....	3,122	5,381	5,914	6,667	7,078	7,007	6,495	6,863
Auditor General.....	231	173	173	169	158	158	169	163
Chief Electoral Officer.....	15	10	19	13	14	20	14	14
Citizenship and Immigration.....	235	532	572	2,657	2,917	3,050	2,799	3,411
Civil Service Commission.....				580	536	543	583	534
Defence Production Commission.....	193	1,054	1,234	1,301	1,341	1,362	1,302	1,368
External Affairs.....	213	677	698	645	602	611	636	607
Finance.....	1,073	4,653	4,524	4,300	4,034	4,086	4,344	4,031
Comptroller of the Treasury.....	126	288	402	222	222	222	222	224
Royal Canadian Mint.....	20	11	11	17	17	18	17	17
Tariff Board.....		1,145	1,029	690	260		687	260
War-time Prices and Trade Board.....	325	1,553	569	925	962	1,015	1,178	1,450
Fisheries.....	14	12	10	10	10	11	10	10
Governor General's Secretary.....	516	541	636	656	662	478	656	661
House of Commons.....	53	59	63	72	82	82	72	81
Insurance.....	6	4	4	10	11	12	10	11
International Joint Commission.....	106	152	179	192	204	206	1,557	204
Justice.....	985	1,174	1,255	1,364	1,509	1,503	726	1,509
Commissioner of Penitentiaries.....	244	620	620	645	635	601	874	694
Labour.....	27	7,140	6,957	7,148	7,051	6,886	8,347	7,724
Unemployment Insurance Commission.....		31	34	31	36	37	31	36
Library of Parliament.....				1,661	1,720	1,749	1,778	1,816
Mines and Technical Surveys.....					2,398	3,563 ⁽⁶⁾		2,676 ⁽⁶⁾
National Defence: Administration.....	1,142	8,741	10,045	9,118	7,119	9,662	13,217	13,767
Army Services.....	178	2,984	3,451	4,022	4,119	4,684	6,731	7,527
Naval Services.....	104	3,314	3,408	3,707	4,121	5,727	4,628	5,795
Air Services.....		598	547	596	561	580	603	572
National Film Board.....								
National Health and Welfare—								
Departmental Administration.....		225	236	268	257	276	264	251
Health.....		723	794	847	880	892	841	864
Welfare.....		752	743	755	733	892	779	899
Indian Health Services.....		646	812	931	1,084	1,084	1,031	1,196
National Research Council.....	226	1,543	1,524	1,694	1,891	2,006	2,991	3,172
Atomic Energy Control Board.....								
National Revenue—								
Customs and Excise.....	4,415	5,552	5,776	6,086	6,211	6,254	6,086	6,194
Income Tax.....	1,201	10,478	11,704	10,629	7,011	5,886	10,629	7,011
Post Office.....	12,518	17,105	18,049	18,939	18,938	19,380	33,029	32,962
Prime Minister's Office.....				34	37	44	35	35
Privy Council.....				53	48	46	63	46
Public Archives.....	10	68	72	53	65	46	63	46
Public Printing and Stationery.....	67	54	55	61	61	69	66	69
Public Works.....	4,124	786	856	991	1,041	1,127	991	1,041
		6,574	6,547	6,954	7,103	7,092	6,728	6,999

Staff reported under preceding Depts.									
Resources and Development	86	463	1,570	1,689	1,661	2,277	2,387	2,313	
Royal Canadian Mounted Police	346	528	568	622	810	563	910	784	
Secretary of State	145	157	608	588	573	608	575	572 ⁽¹³⁾	
Senate	1,024	2,562	156	156	100	156	159	156 ⁽¹⁴⁾	
Trade and Commerce (including D.B.S.)	642	781	2,470	2,775	2,518	2,798	2,772	2,515	
Board of Grain Commissioners	128	157	140	779	861	806	774	874	
Canadian Government Elevators	5,613	7,828	8,535	10,028	9,091	11,979	11,698	11,880 ⁽¹¹⁾	
Transport	97	136	48	54	50	48	53	41	
Air Transport Board		144	155	158	154	155	158	154	
Board of Transport Commissioners		15,173	13,748	12,931	12,641	14,898	14,127	14,032 ⁽¹²⁾	
Veterans Affairs		1,678	1,468	1,224	1,156	1,334	1,224	1,158	
Soldiers Settlement and Veterans Land Act									
Mines and Resources—									
Departmental Administration	70	108	127						
Immigration	595	1,079	1,281						
Indian Affairs	1,038	771	877						
Industries and Development	558	883	789						
Mines, Forests and Scientific Services	437	1,562	2,107						
Special Projects	449	8	6						
Pensions and National Health	2,638	329	408						
Reconstruction and Supply									
Totals	46,106	118,370	123,924	127,044	124,866	156,210	157,490	170,426	
Crown Corporations, and Corporate Agencies, other than CNR and its subsidiaries ⁽¹⁵⁾						13,189	15,194	14,711	

See new post-war Departments for 1950 and 1951 figures

(1) The Dominion Bureau of Statistics publishes annually summary statistics of the Civil Service of Canada, and the figures for 1939, 1948, 1949 and 1950 were obtained from these publications. The figures for 1951 and 1952 had not yet been published and were obtained directly from the Dominion Bureau of Statistics for the purposes of this report.

(2) Includes Fisheries Research Board (276 employees for 1950, 328 employees for 1951, 335 Employees for 1952) and the International Pacific Salmon and International Fisheries (Halibut) Commissions.

(3) Does not include 2 Aides-de-Camps to the Governor General.

(4) Includes seasonal employees.

(5) Includes employees of the Defence Research Board of Canada.

(6) Includes employees of the Atomic Energy Project, Chalk River, Ont., and also includes 79 Post Doctorate Fellows. With effect from April 1, 1952, the status of the Atomic Energy Project was revised to that of a Crown Corp.

(7) Includes 14,065 (1950), 14,024 (1951), 14,287 (1952) employees of revenue post offices who are paid through the Financial Branch of the Post Office Department.

(8) Prior to 1950 the staff of the Prime Minister's Office was carried on other establishments. The above figure includes the staff of the Prime Minister's residence.

(9) Does not include 240 (1950), 276 (1951), 197 (1952) revenue postmasters who are also employed by the Department of Public Works.

(10) Includes the staff of the Custodian of Enemy Property.

(11) Includes the staff of the Canadian Maritime Commission.

(12) The following crown corporations and corporate agencies are included:

(13) Bank of Canada; Canadian Arsenals Ltd.; Canadian Broadcasting Corporation; Canadian Commercial Corporation; Canadian Farm Loan Board; Canadian Wheat Board; Central Mortgage and Housing Corporation; Commodity Prices Stabilization Corporation; Dominion Coal Board; Eldorado Mining and Refining (1944) Ltd.; Export Credit Insurance Corporation; Federal District Commission; Industrial Development Bank; National Harbours Board; Northwest Territories Power Commission; Northern Transportation Company Ltd.; Polymer Corporation Ltd.; Crown Assets Disposal Corporation; Defence Construction Ltd.

*Canada Finance Standing
Committee (Senate) 1952*

1952

THE SENATE OF CANADA

Government
Publications



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953.

No. 8

WEDNESDAY, JUNE 4, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. J. H. Lowther, Director of Public Finance and Transportation Division,
Dominion Bureau of Statistics

EXHIBIT:

No. 7 Combined Revenues and Expenditures—All Governments
in Canada

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1952

THE STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

The Honourable Senators:

Aseltine	Fogo	Paterson
Baird	Fraser	Petten
Barbour	Gershaw	Pirie
Beaubien	Golding	Quinn
Bouffard	*Haig	Reid
Buchanan	Hawkins	*Robertson
Burchill	Hayden	Roebuck
Campbell	Horner	Stambaugh
Crerar	Isnor	Taylor
Dupuis	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien (38)
Farris	McDonald	

50 Members

(Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate,

Wednesday, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial, and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.

L. C. MOYER,
Clerk of the Senate."

MINUTES OF PROCEEDINGS

WEDNESDAY, June 4, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 12.15 p.m.

Present: The Honourable Senators:—Crerar, Chairman; Aseltine, Barbour, Beaubien, Burchill, Gershaw, Golding, Haig, Isnor, King, Paterson and Taylor—12.

Consideration of the order of reference of March 26, 1952, was resumed.

Mr. J. H. Lowther, Director of Public Finance and Transportation Division, Dominion Bureau of Statistics, was heard.

At 1.00 p.m. the Committee adjourned until tomorrow, Thursday, June 5, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Wednesday, June 4, 1952.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1953, met this day at 12.15 p.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Gentlemen, we shall now come to order. I regret that we are meeting almost one hour later than we had planned to meet, but the Banking and Commerce Committee had before it an important and controversial bill, which delayed our attendance before this committee.

Hon. Mr. BEAUBIEN: There were too many lawyers in that committee.

The CHAIRMAN: At the end of last week I circulated a statement that we received from Mr. Lowther, of the Public Finance Division of the Bureau of Statistics, on the combined revenues and expenditures of all governments in Canada, for various years. In addition Mr. Lowther prepared, at my suggestion, a statement of the principal taxes and rates: that is, federal, provincial and selected municipal governments.

This latter document we shall not deal with today, because a week from tomorrow we shall have with us a representative of the Tax Foundation of Canada, who will discuss the various types of taxation that are levied by all governments in Canada. His testimony will supplement the data which we have before us. Perhaps Mr. Lowther will be good enough to come over that day also, when a gentleman by the name of Mr. Douglas will be here, and supplement what Mr. Douglas has to say. The document headed "Principal Taxes and Rates" will be circulated.

We come now to the business of this meeting, namely, the statement of combined revenues and expenditures of all governments in Canada. This was prepared under Mr. Lowther's direction. Mr. Lowther was before us last year, and the year before, and so needs no introduction today. Do you wish to make a preliminary statement, Mr. Lowther?

J. H. LOWTHER, Director of Public Finance and Transport Division, D.B.S.:

Mr. Chairman, I do not think there is need for one, unless there is some point on which you require information.

The CHAIRMAN: Could you give us a word of explanation as to the basis upon which these estimates were prepared?

Mr. LOWTHER: As I explained in previous years, these figures represent an analysis of government revenues and expenditures, on a basis which permits intergovernmental comparisons as well as the addition of the revenues and expenditures at all levels of government, so as to arrive at totals for the whole of government activity. For that reason, the totals that you see in this statement will not necessarily agree with the totals which appear in the public accounts of governments in Canada, or the aggregate of the totals that appear in the public accounts of provinces, because of the extent of transfer payments between one level of government and another. For the purpose of building up these figures, any grants made by one government to another, are excluded from the total. They appear on these statements. The direct, unspecified

grants that are referred to as intergovernmental transfers appear at the bottom of the tables, and all of the other grants for old age pensions, hospital care and health services from the federal government to the provinces, and from the provinces to the municipalities—as, for instance, education, police and fire protection—are deducted from the expenditures of the government that receives the grant. This permits you to add your total revenues from the public: the resulting figures, I should say, are the total revenues derived from the public, rather than from the transfer of funds from one level of government to another. That is probably the most important aspect of this type of presentation.

The CHAIRMAN: That could be illustrated in this way: the federal government through its taxation revenues derives certain sums of money. Of those sums it passes, under financial agreements with some of the provinces, substantial amounts of money to the provinces. Those are not taken into the revenue of the provinces for taxation purposes.

Mr. LOWTHER: That is right, sir.

The CHAIRMAN: Otherwise, that would be taxing twice. What we want to get at is the total volume of taxation by all governments, and the total expenditures.

Hon. Mr. ISNOR: Would you, Mr. Chairman, or the witness, tell us in a few words just how this information fits into our overall picture?

Mr. LOWTHER: What did you have in mind in asking that question?

Hon. Mr. ISNOR: We are working with a certain end in view, trying to make a recommendation with regard to the whole financial picture, as we see it, and out of our study to place before the government the Chairman's report showing how savings can be effected in maintaining the economy of the country. Is that not what we are trying to do, Mr. Chairman?

The CHAIRMAN: Yes, in part.

Hon. Mr. ISNOR: With that in mind, how does this information fit into that program?

Hon. Mr. HAIG: I do not want to interrupt my honourable friend, but if he will allow me, I will try to answer him, and the witness can correct me if I am wrong. On the report I see that for the year 1949 total revenues were \$3,654,000,000. Is that correct?

Mr. LOWTHER: Yes, that is right.

Hon. Mr. HAIG: And for 1950 the total revenues were \$4,293,000,000?

Mr. LOWTHER: Yes, that is right.

Hon. Mr. HAIG: And for 1951, \$5,302,000,000?

Mr. LOWTHER: That is correct.

Hon. Mr. HAIG: We will take 1951: the federal government received \$3,780,000,000, the provinces \$911,000,000 and the municipalities \$611,000,000. Below that the expenditures for 1951 at all levels of government: \$4,998,000,000?

Mr. LOWTHER: That is right.

Hon. Mr. HAIG: The federal was \$3,218,000,000, the provinces \$1,053,000,000, and the municipalities \$727,000,000?

Mr. LOWTHER: That is right.

Hon. Mr. HAIG: I call to your attention the fact that in those expenditures the Dominion Government, from 1949 to 1951, show an increase of from \$2,011,000,000 to \$3,218,000,000, or more than 50 per cent. Is that correct?

Mr. LOWTHER: That is right, sir.

Hon. Mr. HAIG: The provinces show an increase from \$874,000,000 to \$1,053,000,000, or not quite 25 per cent.

Mr. LOWTHER: That is correct.

Hon. Mr. HAIG: And the municipalities increased from \$619,000,000 to \$727,000,000, or an increase of not quite 20 per cent.

Mr. LOWTHER: About 20 per cent.

Hon. Mr. HAIG: I do not know whether that helps my friend any.

Hon. Mr. ISNOR: I can follow those figures; I wanted the overall picture.

Hon. Mr. HAIG: I suggest that our investigation, as it goes along shows the importance of governments in relation to increased expenditures. The municipalities have the smallest increase, the provinces next, and the federal government has the largest. In these figures are included the Defence estimates?

Mr. LOWTHER: Yes, sir.

Hon. Mr. BEAUBIEN: If the Defence estimates were not included what percentage would you have on the expenditures by the federal government?

Hon. Mr. HAIG: That is a good question.

Hon. Mr. BEAUBIEN: It is quite apparent that the federal government's increase has been over 50 per cent, but that has to be clarified in order to give a true picture.

Hon. Mr. PATERSON: How could you separate them? The office staff in Ottawa; some are on Defence who were not there before. Can you separate those who were there before and the ones who have been put on extra?

Hon. Mr. GOLDING: You would not need to separate anything. You just get the Defence figures.

Hon. Mr. BEAUBIEN: The total Defence expenditure is, I think, the thing the public should know, to see whether the federal government is spending wisely.

Mr. LOWTHER: If you exclude the expenditures on National Defence, under the terms of this classification, if you turn to the second double sheet of this statement, you will find it means that the increase between 1949 and 1950 will be less than \$100 million—\$97 million, to be exact. Your federal government expenditure in 1949 exclusive of Defence amounted to \$1,638 million; in 1950, exclusive of Defence, \$1,735 million, which is an increase of \$97 million.

The CHAIRMAN: Unfortunately the only figures we have for 1951 at this time are totals.

Hon. Mr. BEAUBIEN: Could you say right at this point what percentages of increases have taken place? You figured 1949 and 1950, did you?

Mr. LOWTHER: Yes.

Hon. Mr. BEAUBIEN: What is the percentage of increase of federal expenditure outside of Defence?

Mr. LOWTHER: What is the percentage increase?

Hon. Mr. BEAUBIEN: Yes.

Mr. LOWTHER: About 6 per cent.

Hon. Mr. BEAUBIEN: Well, that is very different from the statement which has appeared in some newspapers, intimating that the government expenditures have increased 50 per cent. If you exclude Defence expenditures, of which everyone is in favour, you arrive at increased expenditures of only 6 per cent.

The CHAIRMAN: You get a clue—

Hon. Mr. BEAUBIEN: Just before you go on may I interject this. We read reports in the newspapers of the work of this committee, and in practically every report one finds the suggestion that the federal government is going on

almost a spending spree. That is what I want to have clarified; it is not so; yet it has been used in almost every speech which has been made outside of parliament by some politicians.

Hon. Mr. BARBOUR: Before we leave this, I would like to know the percentage of increase, over the same years, of expenditures by provincial and municipal governments. We have the information as regards the federal government.

Hon. Mr. HAIG: Provincial government increases were about 20 per cent. There is no Defence expenditure in their budgets.

Hon. Mr. BARBOUR: It was much larger?

Hon. Mr. HAIG: About 20 per cent. The municipalities increased theirs about 15 per cent.

Hon. Mr. BURCHILL: Were you not quoting the 1951 figures?

Hon. Mr. HAIG: Yes.

Hon. Mr. BURCHILL: Well, we have not these before us.

Hon. Mr. BARBOUR: The percentage of increase of provincial governments is larger than the increase of the Dominion Government?

Hon. Mr. GOLDING: Yes, —outside of Defence.

Mr. LOWTHER: In answer to your question the corresponding increase in provincial governments' expenditures from 1949 to 1950 is approximately 5 per cent. The amount rose from \$874 million to \$924 million—\$50 million.

Hon. Mr. BEAUBIEN: Is that municipal expenditure?

Mr. LOWTHER: No, provincial. It amounts to a little over 5 per cent.

Hon. Mr. HAIG: That is, between 1949 and 1950?

Mr. LOWTHER: Yes.

Hon. Mr. HAIG: But between 1949 and 1951 it was more?

Mr. LOWTHER: Oh, yes; between 1949 and 1951 the increase in provincial expenditures would be about 20 per cent.

Hon. Mr. HAIG: And what about municipal expenditures?

Mr. LOWTHER: Municipal expenditures, between 1949 and 1950, between 12 and 13 per cent; and between 1950 and 1951, less than 5 per cent.

Hon. Mr. HAIG: Did you give us the increase in the Dominion expenditures between 1949 and 1951?

Mr. LOWTHER: The 6 per cent increase in the federal expenditures between 1949 and 1950 is exclusive of Defence.

Hon. Mr. HAIG: But between 1949 and 1951, exclusive of Defence?

Mr. LOWTHER: I cannot give you that, sir, because we do not know the details of the analyses for 1951. I mean, I could work it out for you, but it would take a few minutes to do it.

Hon. Mr. HAIG: Oh, don't do that. It is not worth while.

The CHAIRMAN: Well, if you look at this file of exhibits here, you will see that the federal government's expenditure increased from \$3½ billion in 1949 to \$4,115 million in 1950; the provincial expenditures increased from \$873 million to \$924 million; and the municipal expenditures increased from \$619 million to \$696 million. Those are increases from 1949 to 1950. We have not the figures for 1952, but we have our main estimates; and for all purposes outside of Defence, Defence Production and Civil Defence, in the main estimates the government asks this year for \$2,229 million—that is, for ordinary civilian purposes. That is up about \$227 million from the corresponding expenditures in 1951-52. The total of the main estimates this year, including Defence, Civil Defence and Defence Production is \$4,335 million. Of this amount, almost one-half is earmarked for Defence, Defence Production and Civil Defence.

Hon. Mr. BEAUBIEN: Included in that amount are Civil Service salary increases.

The CHAIRMAN: Yes. It is unfortunate that we have not in detail the data for 1951. But I think the figures reveal this, that, while revenues have been going up through increases in various kinds of taxes, expenditures—municipal, provincial and federal—have been going up too. That is, we are taxing more and we are spending more. I do not know whether the members of the committee have studied the white paper that accompanied the budget this year. It is a lengthy document, but I am bound to say that it has a tremendous fund of information on the public business of this country at all levels of government. I have personally always felt that as a taxpayer what concerns me most is not alone the taxes I pay the federal government, but what I have to pay to all my governments throughout Canada. This year the total amount in taxation that will be taken by all governments in Canada will be well in excess of \$6 billion. It is not our function to criticize this government or that government, or to defend this government or that government. What we want to get is the true picture of our financial position, and I am bound to say that when I look at our net national income figure and put against that the total volume of taxes paid at all levels of government in Canada, it makes me wonder where we are going.

Hon. Mr. BEAUBIEN: How does that compare with our level of production?

The CHAIRMAN: We are taking in taxes roughly one-third of our net national income at all levels of government.

Hon. Mr. BURCHILL: Senator Isnor spoke about the object that we had in our committee this year. I have felt right from the start that the big job this committee might do in serving the people of Canada is to point out just how much taxation our country can stand in respect to her production. In my judgment 1952 is going to be a different year from 1951 as far as production is concerned. I think this committee might perform a useful service by pointing these things out. This is what I have felt right from the beginning.

The CHAIRMAN: The important point to bear in mind is the relationship of our total tax burden at all levels of government in Canada to our total production or net national income. If the net national income should drop because of failing markets or falling prices, then it does seem to me—I hope I am wrong—that nine out of ten of our governments at all levels, may face deficits or the imposition of increased taxes. This is the important consideration involved in our inquiry. We must try to set out the facts so our people can form an intelligent judgment and cease pressing their governments at all levels for additional expenditures for this, that and the other thing.

Hon. Mr. GERSHAW: Could the witness tell us what the net national income is? Have you got that figure there.

Mr. LOWTHER: You mean the gross national production or net national income at factor cost?

Hon. Mr. GERSHAW: Could you give us both?

The CHAIRMAN: It is in one of the statements you have got.

Mr. LOWTHER: It is on page 9 of the budget papers. There is a table of the national income and gross national product for the years 1948-49-50, and preliminary figures for 1951. The gross national product for 1951 is estimated at \$21 billion 241 million. The national income segment of that gross national product is estimated at \$17 billion 229 million.

Hon. Mr. PATERSON: What does that include? Does that include agricultural products and so on?

Mr. LOWTHER: Yes, everything.

Hon. Mr. ISNOR: That is what I was trying to get the other day from Dr. Hope. He was unable to give the information. Mr. Lowther, could you give us the figure as to the value of our agriculture production?

Hon. Mr. BEAUBIEN: Just before that figure is given, may I ask Mr. Lowther this question: Does the \$17 billion 229 million represent the net national income?

Mr. LOWTHER: Yes.

Hon. Mr. BURCHILL: What year is that?

Mr. LOWTHER: 1951 preliminary.

Hon. Mr. PATERSON: Would that take into account war production figures? For instance, we are building airplanes. Would it include building airplanes?

Mr. LOWTHER: Your national income figure includes salaries, wages, earnings and income of all segments of the population, and therefore it includes our salaries as well as those of employees of war plants, business, and industry in general as well as income from farm operators and other agricultural activities.

Hon. Mr. ISNOR: Could you answer my question now? I should like to know the total farm production figure. Is there a separate heading for that?

Mr. LOWTHER: There is a figure here for net income from farm production.

Hon. Mr. ISNOR: I should like the figure for production first.

Mr. LOWTHER: You will not find the production figures, or of agricultural production in these statements; (your national accounts), but it is explained here as part of your sources of personal income, you have the income from salaries and wages and the income from military pay and allowances, and the income of farm operators.

Hon. Mr. ISNOR: Could you give me that figure then?

Mr. LOWTHER: The income of farm operators and farm production amounts to \$2 billion 191 million. That is the net figure.

The CHAIRMAN: We had figures on that which were distributed to the committee. The figures covered the income and gross national product for each year from 1939 to 1951.

It is interesting to note the accrued net income of farm operators from farm production. The figures are as follows:

1939	\$ 385 million
1940	492 "
1941	490 "
1942	988 "
1943	805 "
1944	1,185 "
1945	1,010 "
1946	1,112 "
1947	1,223 "
1948	1,518 "
1949	1,504 "
1950	1,547 "
1951	2,138 "

The figures for 1949, 1950 and 1951 include Newfoundland.

Hon. Mr. BEAUBIEN: Is that net or gross?

The CHAIRMAN: That is the accrued net income.

Hon. Mr. GOLDING: Have you figures showing the increase in operating costs for the same years?

Mr. LOWTHER: In what line, sir?

Hon. Mr. GOLDING: For agriculture.

Mr. LOWTHER: I cannot give you those figures, because they are not available in this type of estimate.

Hon. Mr. GOLDING: In our filing cabinet we have a statement showing the net operating revenue, after the costs have been deducted.

Hon. Mr. HOWDEN: The operating revenue will go up with the greater return, I should say.

Hon. Mr. GOLDING: That is right.

Hon. Mr. HAIG: These figures are not intended to show what the farmers or anybody else got; they are just figures of total production.

The CHAIRMAN: Yes.

Hon. Mr. HAIG: That last figure of more than \$2 billion, for instance, is the value of the production.

Hon. Mr. GOLDING: I understand that.

The CHAIRMAN: May I suggest to the committee that we are getting a bit away from the data that Mr. Lowther prepared for us and which we asked him to come and explain to us.

Hon. Mr. HAIG: Let him give the rest of it.

The CHAIRMAN: If we wish a much more detailed explanation of the national income and gross national production figures we should have someone from that section of the bureau, as Mr. Lowther points out—namely, Mr. Goldberg.

Hon. Mr. BEAUBIEN: But, Mr. Chairman, right at this time when we are getting figures of national expenditures by governments on all levels, I think it would be quite proper to link those figures with the income figures.

The CHAIRMAN: There is no doubt about that, but it seems to me that if we are going to discuss that we had better arrange to have Mr. Goldberg come here to give us information. As a matter of fact, he was here one day to discuss these figures, but we happened to get into a discussion on something else, which took up the whole morning session, and so we did not have an opportunity to go into these figures. If you wish, I will arrange to have him come back here. We might do that tomorrow.

Hon. Mr. HAIG: Why not Friday morning?

The CHAIRMAN: Tomorrow we intend to take up the estimates of the Department of Transport. I do not think we need spend more than an hour on those, and if it is agreeable to the committee I will ask Mr. Goldberg to come here tomorrow, if he can, so that we may go into these figures, which are very important.

Hon. Mr. ISNOR: Mr. Chairman, I do not think the figures for 1945, 1946, 1947 and 1948 are of very much value to us now. I agree with Senator Burchill's statement, that there are three or four factors which we must determine if we are to make a recommendation that is of any use to the country. I think we have to find out our gross or total production, for perhaps two years only, and our total expenditures, and correlate them, so that we may be able to form an opinion as to whether this country can afford to go any further along the road of increased taxes or expenditures. As I see it, that is our job in this committee. On one occasion Senator Haig expressed very much the same thought. He took me to task the other day when I tried to get the figures of farm production. I just wanted to know how our farming income compared with our industrial income, and tried to get some idea of how much money that we can look for in taxes from these and other sources. Until we have

that information we do not know whether we can continue to expand our social service measures. I think that we must have those figures before we can make a worth-while report.

Hon. Mr. HOWDEN: It is important to know what it is costing the country to live.

Hon. Mr. ISNOR: That information would be valuable too.

Hon. Mr. BURCHILL: Are there any special points that Mr. Lowther would like to bring to the attention of the committee today?

The CHAIRMAN: No, unless someone has questions to ask about these tables which were circulated to members of the committee last Saturday. Just in relation to Senator Isnor's point, it is interesting to look at the table of combined expenditures for all governments in Canada, on the second of the wide sheets, where the public welfare figures are given under six headings. These show that the total expenditures on public welfare increased from \$208 million in 1939 to \$875 million in 1950. This latter figure has been increased since then by the institution of old age security. In addition to that, the total cost of veterans' pensions and aftercare in 1950 was \$191 million.

Hon. Mr. BEAUBIEN: Those expenditures do not come under social welfare?

Mr. LOWTHER: No.

The CHAIRMAN: The expenditures are set out in detail on this statement. So far as I am concerned, I just wish to say that I think Mr. Lowther has done an excellent job of preparing and analysing this information for us. •

Hon. Mr. HAIG: Hear, hear.

Hon. Mr. ISNOR: Do not think for one moment that I disagree with that.

The CHAIRMAN: I understand that.

Hon. Mr. ISNOR: At the opening of this meeting I asked what use we intended to make of the information presented to us and how we were going to relate it to our study. Senator Haig took it on himself to answer my question, which the chairman could have answered in a few words and made clear what the purpose of our committee is.

Hon. Mr. HAIG: My friend Senator Isnor always takes me to task, as if I were the *bête noire* of this committee. If the committee feels, as my friend Senator Isnor apparently does, that I am intruding in this committee, I am quite willing to get out, and I will use the forum that is at my command to say that the Liberal members of this Senate committee on Finance did not like my presence here. That is all I have to say. If the committee supports Senator Isnor's stand I will get out.

Hon. Mr. ISNOR: I simply mentioned Senator Haig because he answered that question of mine.

Hon. Mr. HAIG: I had those figures before me, and I wanted to be sure that I understood the question. I asked the witness to correct me if I was wrong, and he did not correct me.

Hon. Mr. ISNOR: Senator Haig's experience would of course be more satisfactory to the committee than mine.

Hon. Mr. HOWDEN: Mr. Chairman, I don't think we should let Senator Haig go away.

The CHAIRMAN: Order.

Hon. Mr. HOWDEN: He is a most able and active member of the committee.

Hon. Mr. HAIG: I am not going to be picked on by the senator from Halifax. He is not the man who should attack me. Let the electors decide who should be attacked.

The CHAIRMAN: I think the committee will agree that Senator Haig has been very fair.

Some Hon. SENATORS: Hear, hear.

The CHAIRMAN: And he has been a most useful member.

Hon. Mr. HAIG: If that is the situation, all right, but if anybody objects to my presence I will get out.

Hon. Mr. BURCHILL: We couldn't get along without you.

Hon. Mr. ISNOR: I would be the last one to say anything to cause Senator Haig to leave this committee. Certainly, if either one of us is to leave, it should be me. I recognize his value to the committee.

Hon. Mr. HAIG: I am not asking you to leave.

Hon. Mr. ISNOR: I apologize to the committee for anything I have said that may be regarded as out of the way.

Hon. Mr. HAIG: You don't need to do that.

The CHAIRMAN: Order.

Hon. Mr. HOWDEN: Mr. Chairman, I will say only a word. It has occurred to me that the end object of this inquiry is to know what are our revenues, our income and our government expenditures, and then how much the country has left to live on.

The CHAIRMAN: That is the important thing.

Hon. Mr. HOWDEN: I have not seen or heard of anything so far which shows what the country has left to live on, and I think it is time we were accumulating figures along that line.

Hon. Mr. BURCHILL: Mr. Chairman, you quite properly pointed out that taxation should be related to our national production. We have the figures for our national production for the year 1951, but have we any for the present year, 1952?

The CHAIRMAN: Yes; Mr. Abbott in his Budget Speech gave an estimate of \$22 billion, as I recall.

Hon. Mr. BURCHILL: That would compare with \$21,241,000,000 of last year?

The CHAIRMAN: He suggested that our gross national product would increase again this year.

Hon. Mr. HOWDEN: Not if we don't get rain.

Hon. Mr. BEAUBIEN: We had an inch and a half yesterday.

The CHAIRMAN: There is a tremendous amount of useful information in the Finance Minister's Budget Speech and in the accompanying figures. He points out that the gross national output in 1951 was 17 per cent higher than in 1950; that two-thirds of this increase was due to higher price, and about one-third of the increase to real output. Mr. Abbott goes on to state: "However, on the premise that our gross national product for 1952 will approach \$22½ billion—" On the same scale as last year, it would leave a net income figure of something less than \$18 billion; and against that figure you have the question of the total tax burden on all Canadian people of more than \$6 billion.

Hon. Mr. BURCHILL: That is, to find out what is left?

The CHAIRMAN: That is one-third, for taxes at all levels of government. 33 per cent is a pretty high level of taxation. Eminent authorities say that a country can not go beyond 25 per cent of its total net national income, without running into danger. I may be wrong, but those are significant figures; it is not a matter of criticizing any government here or there, but looking at the whole picture.

Hon. Mr. HOWDEN: That is the type of figure we need.

The CHAIRMAN: Our provincial and municipal expenditures are, quite frankly, getting out of hand.

Hon. Mr. BEAUBIEN: Mr. Chairman, it is now 1 o'clock, and I am very hungry.

The CHAIRMAN: If it is agreeable to the committee, we will have Mr. Goldberg tomorrow morning at 11 o'clock, to discuss the national income and gross national product figures, and to give us further information and answer some of the questions that Mr. Lowther could not answer. I would suggest that we devote approximately three-quarters of an hour to that; and then take our time in getting some information from the Deputy Minister of Transport, on the transport estimates.

Hon. Mr. ASELTINE: Before we adjourn, I should like to mention the fact that when the Deputy Minister of Public Works was here I asked him a question with regard to the East Block. Have you that information yet?

The CHAIRMAN: No; I have not received it yet, but I shall call him and remind him of it.

The Committee adjourned until tomorrow morning at 11 o'clock.

EXHIBIT No. 7

COMBINED REVENUES AND EXPENDITURES—ALL GOVERNMENTS
IN CANADA

Fiscal Years Ended Nearest December 31st, 1939, 1949 and 1950

STATEMENTS ATTACHED

Source: 1939—"Comparative Statistics of Public Finance", prepared for the Dominion-Provincial Conference on Reconstruction, 1945.

1949 and 1950—Based on compilations of the Dominion Bureau of Statistics and Bank of Canada, for comparative purposes.

Explanatory Note: The totals appearing on line 23 of the revenue table and line 18 of the expenditure table do not include intergovernment transfers. For instance, subsidies authorized by the B.N.A. Act and other Acts and compensation to provinces as provided in the Dominion-Provincial Tax Rental Agreements Act are excluded from expenditures of the Federal government and correspondingly omitted from the revenues of the provinces. However, grants-in-aid, etc., for specific services, such as for old age pensions, are included as expenditures of the government making the grant and deducted from the gross expenses of the other level of government which received the grant.

These procedures are followed to avoid duplication in order to produce additive totals of both revenues and expenditures for all levels of government.

STANDING COMMITTEE

COMBINED REVENUES — ALL GOVERNMENTS

SUMMARY

Fiscal Years Ended
(Thousands)

ITEM No.		TOTAL		
		1939	1949	1950(b)
	Taxes:			
	Income and Corporation Taxes—			
1.	Personal Income Taxes.....	60,678	622,104	652,420
2.	Corporate Income Taxes.....	89,452	707,514	961,606
3.	Other Corporation Taxes.....	23,153	24,866	27,312
4.	Withholding Tax.....	11,122	47,475	61,610
5.	Sub-Total (Items 1 to 4).....	184,405	1,401,959	1,702,948
6.	Succession Duties.....	27,850	59,084	65,482
7.	Real and Personal Property.....	248,922	373,759	408,087
8.	Customs Duties and Other Import Taxes.....	106,819	226,403	296,433
	Excise Duties and Sales Taxes:			
9.	Gasoline Taxes.....	53,069	137,759	155,293
10.	Liquor Taxes Including Liquor Control.....	54,423	241,513	266,499
11.	Tobacco Taxes.....	42,447	215,912	216,998
12.	General Sales Taxes.....	144,861	481,343	561,646
13.	Amusement Taxes.....	2,615	20,359	18,814
14.	Other Commodities.....	24,175	75,174	131,489
15.	Other Taxes.....	25,547	72,823	80,451
16.	Total Taxes (Items 5 to 15).....	915,133	3,306,088	3,904,140
	Licences, Permits and Fees—			
17.	Motor Vehicle.....	28,092	58,198	66,960
18.	Other.....	18,498	33,472	37,944
19.	Sub-Total (Items 17 and 18).....	46,590	91,670	104,904
20.	Public Domain.....	24,754	94,128	115,861
21.	Public Utility Contributions to Municipalities.....	10,181	23,718	24,062
22.	Other Revenue.....	36,556	138,201	143,712
23.	Total Revenue.....	1,033,214	3,653,895	4,292,679
	INTER-GOVERNMENT TRANSFERS NOT INCLUDED IN ABOVE SUMMARY			
24.	Federal Subsidies to Provinces.....	19,184	19,109	18,674
25.	Provincial Subsidies to Municipalities.....	4,507	9,569	13,259
26.	Transitional Grant to Newfoundland.....		6,500	6,500
27.	Dominion-Provincial Tax Agreements.....		79,780	92,640
28.	Share of Income Tax on Electric Power Utilities.....		1,515	4,457
29.	Interest on Common School Fund and School Lands Fund Debentures.....	1,585	1,466	800
30.	Grants in Lieu of Taxes on Federal Property.....			1,267
31.	Nova Scotia Highway Tax.....	452	251	245
32.	Manitoba Municipal Commissioner's Levy.....	828	527	517
33.	TOTAL (m).....	26,556	118,717	138,359

(a) Includes statistics of Newfoundland for the years 1949 and 1950.

(b) Preliminary.

(c) Revised.

(d) Includes an estimate of the statistics for Quebec.

(e) The 5% tax on corporations income collected by the Federal government is excluded from Federal and included in Provincial.

(f) Includes \$25,000 thousands excess portion of reserve for refundable excess profits tax transferred to revenue.

(g) In 1939 and 1949 consists of chartered banks note circulation tax and tax on net premiums of insurance companies; in 1950 consists of tax on net premiums of insurance companies.

IN CANADA FOR 1939, 1949 and 1950

BY SOURCE

Nearest December 31
of Dollars)

FEDERAL			PROVINCIAL(a)			MUNICIPAL(a)			Item
1939	1949(c)	1950	1939	1949	1950(b)	1939	1949(d)	1950(b)	No.
45,407	621,982	652,328	12,113	122	92	3,158			1.
77,920	601,405(e)	834,338(e)(f)	11,082	106,109(e)	127,268(e)	450			2.
1,875(g)	3,910(g)	4,228(g)	21,278	20,956	23,084				3.
11,122(h)	47,475(h)	61,610(h)							4.
136,324	1,274,772	1,552,504	44,473	127,187	150,444	3,608			5.
	29,920	33,599	27,850	29,164	31,883				6.
106,819	226,403	296,433	5,504	4,450	5,219	243,418(i)	369,309(i)	402,868(i)	7.
									8.
			53,069	137,759	155,293				9.
21,014	107,077	129,209	33,409	134,436	137,290				10.
42,447	206,334	206,995		9,578	10,003				11.
137,446	403,437	460,121	2,717	61,899	75,843	4,698	16,007	25,682	12.
			2,615	20,359	18,814				13.
24,175(j)	75,174	131,489							14.
			2,624	25,013(k)	27,884(k)	22,923	47,810	52,567	15.
468,225	2,323,117	2,810,350	172,261	549,845	612,673	274,647	433,126	481,117	16.
			28,092	58,198	66,690				17.
2,542	3,430	5,250	8,975	17,130	18,616	6,981	12,912	14,078	18.
2,542	3,430	5,250	37,067	75,328	85,576	6,981	12,912	14,078	19.
736	1,790	2,360	24,018	92,428	113,501				20.
8,524	82,881(l)	87,618(l)	2,877	13,241	12,943	10,181	23,718	24,062	21.
						25,155	42,079	43,151	22.
480,027	2,411,218	2,905,578	236,223	730,842	824,693	316,964	511,834	562,408	23.
			19,184	19,109	18,674				24.
						4,507	9,569	13,259	25.
				6,500	6,500				26.
				79,780	92,640				27.
				1,515	4,457				28.
			1,585	1,466	800				29.
								1,267	30.
			452	251	245				31.
			828	527	517				32.
			22,049	109,148	123,833	4,507	9,569	14,526	33.

(h) Chiefly on non-residents.

(i) Excludes personal property which is inseparable from Other Taxes and included in Item 15.

(j) The 3% tax on imports is excluded from here and included in Item 8.

(k) Includes hospitalization tax.

(l) Includes \$31,596 thousands (1949) excess of refunds over expenditures re: Expansion of Industry and \$41,918 thousands (1950) excess of refunds over expenditure re: Expansion of Industry and Price Control and Rationing.

(m) Discrepancies between the amounts shown on this table and the expenditure table as Inter-government Transfers are due to variations in the fiscal year ends and accounting practices of governments.

STANDING COMMITTEE

COMBINED EXPENDITURES — ALL GOVERNMENTS
CURRENT AND CAPITAL ACCOUNTSFiscal Years Ended
(Thousands)

Item No.		TOTAL		
		1939	1949	1950(b)
1.	Debt Charges, Net, Excluding Debt Retirement.....	264,300	490,159	446,824
	Public Welfare			
2.	Health and Hospital Care.....	47,145	194,579	216,919
3.	Labour and Unemployment Insurance.....	3,272	52,182	60,209
4.	Relief.....	82,629	18,754	17,812
5.	Old Age Pensions.....	39,587	127,906	140,592
6.	Family Allowances.....		299,347	311,277
7.	Other.....	35,613	117,812	129,055
8.	Sub-Total (Items 2 to 7).....	208,246	810,580	875,864
9.	Education.....	128,682	406,590	460,337
10.	Transportation, Highways, Bridges, Airways, Railways, Waterways, etc.....	163,159	514,022	489,556
11.	Agriculture.....	60,498	107,700	171,642
12.	Public Domain.....	37,648	103,602	99,134
13.	National Defence.....	126,915	372,596	759,779
14.	Veterans' Pensions and Aftercare.....	55,267	202,466	191,777
15.	Expansion of Industry.....	247		
16.	Price Control and Rationing.....	55	2,748	
17.	Other Expenditure.....	184,644	493,159	620,790
18.	Total Expenditure.....	1,230,661	3,503,622	4,115,703
	INTER-GOVERNMENT TRANSFERS NOT INCLUDED IN ABOVE SUMMARY			
19.	Federal Subsidies to Provinces.....	19,244	19,170	18,735
20.	Provincial Subsidies to Municipalities.....	4,511	12,674	14,017
21.	Transitional Grant to Newfoundland.....		6,500	6,500
22.	Dominion-Provincial Tax Agreements.....		76,881	94,123
23.	Share of Income Tax on Electric Power Utilities.....		1,375	4,565
24.	Interest on Common School Fund and School Lands Fund Debentures.....	1,585	1,466	800
25.	Grants in Lieu of Taxes on Federal Property.....		200	1,378
26.	Nova Scotia Highway Tax.....	455	246	246
27.	Manitoba Municipal Commissioner's Levy.....	763	473	482
28.	TOTAL(g).....	26,558	118,985	140,846

(a) Includes statistics of Newfoundland for the years 1949 and 1950.

(b) Preliminary.

(c) Revised.

(d) Includes an estimate of the statistics for Quebec.

IN CANADA FOR 1939, 1949 and 1950

— SUMMARY BY SERVICES

Nearest December 31
of Dollars)

FEDERAL			PROVINCIAL ^(a)			MUNICIPAL ^(a)			Item No.
1939	1949(c)	1950	1939	1949	1950(b)	1939	1949(b)	1950(b)	
151,653	406,766	358,563	60,719	52,593	54,406	51,928	30,800	33,855	1.
1,153	19,451	22,536	30,432	138,549	154,056	15,560	36,579	40,327	2.
1,282	48,310	56,304	1,990	3,872	3,905	16,198	5,487	6,194	3.
23,620	.....	.....	42,811	13,267	11,618	.....	.....	.....	4.
29,121	89,725	99,346	10,279	38,181	41,246	187	.....	.....	5.
.....	299,347	311,277	.....	.....	.....	.....	.....	.....	6.
4,433	20,482	22,188	12,371	31,754	39,095	18,809	65,576	67,772	7.
59,609	477,315	511,651	97,883	225,623	249,920	50,754	107,642	114,293	.....
3,543	28,691	22,196	38,004	157,346	177,702	87,135	220,553	260,439	9.
46,041 (e)	157,612 (e)	127,219 (e)	89,103	254,597	251,322	28,015	101,813	111,015	10.
53,151	82,339	148,091	7,347	25,361	23,551	.....	.....	.....	11.
14,577	53,574	45,776	23,071	50,028	53,358	.....	.....	.....	12.
126,915	372,596	759,779	.....	.....	.....	.....	.....	.....	13.
55,267	202,466	191,777	.....	.....	.....	.....	.....	.....	14.
247	(f)	(f)	.....	.....	.....	.....	.....	.....	15.
55	2,748	(f)	.....	.....	.....	.....	.....	.....	16.
60,140	226,480	329,679	38,756	108,381	113,750	86,748	158,298	177,361	17.
571,198	2,010,587	2,494,731	354,883	873,929	924,009	304,580	619,106	696,963	18.
.....
19,244	19,170	18,735	4,511	12,674	14,017	.....	.....	.....	19.
.....	6,500	6,500	.....	.....	.....	.....	.....	.....	20.
.....	76,881	94,123	.....	.....	.....	.....	.....	.....	21.
.....	1,375	4,565	.....	.....	.....	.....	.....	.....	22.
1,585	1,466	800	.....	.....	.....	.....	.....	.....	23.
.....	200	1,378	.....	.....	.....	.....	.....	.....	24.
.....	.....	.....	.....	.....	.....	.....	.....	.....	25.
.....	.....	.....	.....	.....	.....	455	246	246	26.
.....	.....	.....	.....	.....	.....	763	473	482	27.
20,829	105,592	126,101	4,511	12,674	14,017	1,218	719	728	28.

(e) Includes deficits (net after deducting profits) of miscellaneous government-owned transportation enterprises such as Prince Edward Island Car Ferry, Hudson Bay Railway, Canadian National Railways, Trans-Canada Airlines, Quebec and Churchill Harbours and Canadian National (West Indies) Steamships Limited.

(f) Refunds of expenditures exceed expenditures. See footnote (e)—Revenue.

(g) Discrepancies between the amounts shown on this table and on the revenue table as Inter-government Transfers are due to variations in the fiscal year ends and accounting practices of governments.



1952

THE SENATE OF CANADA

Government
Publications



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953

No. 9

THURSDAY, JUNE 5, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

Mr. J. C. Lessard, Deputy Minister, Department of Transport.

Air Vice-Marshal A. T. Cowley, Director of Air Services, Department
of Transport.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1952

THE STANDING COMMITTEE ON FINANCE
The Honourable Thomas A. Crerar, P.C., Chairman.

The Honourable Senators:

Aseltine	Fogo	Paterson
Baird	Fraser	Petten
Barbour	Gershaw	Pirie
Beaubien	Golding	Quinn
Bouffard	*Haig	Reid
Buchanan	Hawkins	*Robertson
Burchill	Hayden	Roebuck
Campbell	Horner	Stambaugh
Crerar	Isnor	Taylor
Dupuis	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien (36)
Farris	McDonald	

(Quorum 9)

*Ex officio member

50 Members

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, June 5, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Crerar, Chairman; Aseltine, Barbour, Burchill, Euler, Fafard, Gershaw, Golding, Haig, Horner, Isnor, King, Lambert, McDonald, and Taylor—16.

Consideration of the Order of Reference of March 26, 1952, was resumed.

The following were heard:—

Mr. J. C. Lessard, Deputy Minister, Department of Transport.

Air Vice-Marshal A. T. Cowley, Director of Air Services, Department of Transport.

At 12.45 p.m. the Committee adjourned until Wednesday next, June 11, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, June 5, 1952.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1953, met this day at 11 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: Gentlemen, we have on our agenda for consideration today the Estimates of the Department of Transport, which embrace a good many different activities. We have present here this morning Mr. J. C. Lessard, the Deputy Minister of Transport, Air Vice-Marshal Cowley, Director of Air Services; Mr. Mervyn Fleming, Executive Assistant to the Director of Air Services, and Mr. G. C. W. Browne, Controller of Telecommunications. I have no doubt we shall have a very interesting and useful morning. The first thing we will do is call on Mr. Lessard, who might perhaps give the committee an outline of the activities of the Department.

Mr. J. C. LESSARD: Mr. Chairman and gentlemen, I have a statement prepared on the Estimates of the Department, and it is built along the Summary of Standard Objects which appears on this large statement at the back of the Estimates. You are, I presume, all familiar with it, and I thought it might be of some interest to the committee if I touched the highlights of the items where we show some considerable increases, and at the same time I will attempt to give to the committee some detailed information on the major projects in the Department of Transport.

The 1952-53 Estimates under the Transport section cover some seventy items in the Estimates amounting to a gross appropriation of \$105,800,638. The Transport Department proper accounts for approximately \$96.6 millions, and the various boards and commissions who are under the Minister of Transport, to \$9.2 millions. They include the Air Transport Board, the Maritime Commission, and the National Harbours Board. It is proposed to provide an explanation of the major increases or decreases, as I have just intimated.

If we take the first category, which is Civil Salaries and Wages, you will note that there is an increase for the current fiscal year of \$2,812,670; that is the difference between the amount of \$30,136,043 and \$27,323,373. This amount covers salaries, wages and overtime payments for 11,541 positions which are detailed throughout the Estimates. There is a net increase of 37 positions over last year. In other words, we have 37 more positions provided for in 1952-53 than in 1951-52—which we think is quite an achievement, considering the large size of our department.

The net increase for these positions is the result of many internal changes in classifications. I should mention however, that seven new positions out of these 37 were provided for our new work boat in Newfoundland, the Sea Beacon, which is now in operation, and that eight additional positions were provided for the standby weather ship "St. Stephen" on the Pacific coast. These changes appear in Vote 470—Marine Steamers.

Thirty-eight new radio operators and assistant technicians are needed as a result of the assumption by the Department of three stations in the North Atlantic International Aeronautical service at Goose, Montreal and Moncton.

These services were formerly operated by Trans-Canada Air Lines and the details appear in Vote 496—Telecommunication Division, Radio Aviation Services.

Hon. Mr. McDONALD: How much does the increase of salaries account for the increase in the Estimates?

Mr. LESSARD: You mean, the increase in Category 1 is \$2,800,000, and you wish to know how much is due to salaries?

Hon. Mr. McDONALD: Over the year before.

Mr. LESSARD: Increases in salary alone? That is what you mean?

Hon. Mr. McDONALD: Never mind; go ahead, and we will get that later. I should not interrupt you.

The CHAIRMAN: Make a note of that, Senator. I suggest that, as Mr. Lessard goes along, any other member of the committee who wants to ask a question might make a note of it, and let him finish his statement first.

Mr. LESSARD: Category 8: Telephone, Telegrams and Other Communication Services show an increase of \$344,000. A portion of the over-all increase in this item reflects the 18 per cent increase in rates authorized for telegraph services by the Board of Transport Commissioners, effective last November 1st. In addition, other increases for telephone services have been approved by the Board between 1950 and 1952, ranging between 17·8 per cent and 20·7 per cent according to locations.

There are also the major services provided by outside agencies and communication companies under contracts or agreement, which, because of extension of activities and increased rates, require additional provision of funds in 1952-53. These are:

In Vote 500—Marconi-Operated Radio Stations—As the result of benefits granted company employees in 1951 by a conciliation board, an additional \$80,000 is required for increased salaries, cost-of-living bonus, traveling and other expenses.

In Vote 509—Teletype—To meet National Defence requirements additional funds to the extent of \$210,927 are provided for operation of a National Facsimile Weather Map Circuit and extension of this type of facility to certain Weather Stations being established for the Department of National Defence services.

There are numerous other increases and decreases in the costs of circuits and installations which result in an over-all net increase in Teletype of \$197,227.

In Vote 513—Communication Networks Leased for Airway Traffic Control—Similarly, as in the preceding item, to meet Department of National Defence requirements, \$72,960 additional is provided for network extensions between North Bay and Winnipeg as well as extensions to R.C.A.F. establishments at Bagotville, Mount Hope, Claresholm and Gimli.

Under Vote 496 we have a decrease. A contract, effective during recent years with Trans-Canada Air Lines for the operation of radio stations in the North Atlantic International Aeronautical Service, has been cancelled, resulting in a reduced requirement of \$95,000.

We go to Category 16, which has to do with the construction or acquisition of equipment. It is a large item, \$9,906,394 this year as against \$6,786,060 last year, or an increase of \$3,120,334. These are the requirements for the various types of equipment to be constructed or purchased. This covers a wide field, ranging from vessels such as the Icebreaker and the Sydney-Port aux Basques auto ferry vessel down to, for example, survey instruments for the Lands Branch. I will make some comments about the major items. For example, in Canal Services, there is provision for the construction

of two tugs, one for Ontario-St. Lawrence canals and the other for Welland. The present tug *Bowden* at Cornwall is being replaced by a new unit now under construction at the shipyard of Canadian Dredge & Dock Co. at Kingston at a total estimated cost of \$225,000, of which amount \$160,000 was voted in last year's estimates and the balance of \$65,000 in this fiscal year's appropriations.

At Welland, we are also replacing the *Jalobert*, which is over forty years old, by a new unit to cost \$225,000. Tenders have not been called as yet, but I believe the full amount is included in these estimates.

In Marine Services, the vessels and equipment detailed on page 521 of the estimates are for eventual use in the lighthouse, buoy and icebreaking services. The largest amount included for vessels in this year's estimates is for the new icebreaker now under construction at the Davie Shipbuilding & Repairing Co. Limited and estimated to cost \$7 million. Up to March 31, 1952, we had provided for \$2,900,000 and this year we have included \$3,770,000. The vessel will be launched early in June and it is anticipated that she will make her first trip to the Far North in the summer of 1953.

It is proposed to continue the program of replacement of the older ships of the fleet by the construction of a new lighthouse supply and buoy tender vessel to operate out of the port of Saint John, N.B., as a replacement for the *C. G. S. Franklin*. Size of vessel: 210 feet x 38 x 17·6. To build a new modern ship to replace the *Franklin* will cost in the vicinity of \$2,200,000 but the costs of operating such a vessel would be a lot less than that of the present vessel. Every year we have to spend a tremendous amount of money on repairs and maintenance. In addition to that the department would, with a vessel of this type, have a ship which would have a good steaming radius and could be used to carry out service for the department at distant points in Newfoundland or along the Atlantic coast and, under certain conditions, could even take cargo to northern Labrador or even Hudson Bay itself.

The Department of Transport has now assumed responsibility for the maintenance of lightening equipment taken over from the United States Air Force at Coral Harbour and Frobisher Bay by the R.C.A.F.

These tugs at Coral are in poor condition. They require extensive overhaul which would mean sending the machinery and probably the tugs outside. This would all involve a great deal of expense, and it is considered wiser for the department to have a new tug shipped into Coral in order to take care of this work. Money is being provided accordingly to the amount of \$35,000.

This year we have to perform extensive reconditioning on the *C. G. S. Lady Laurier* based at the Halifax Agency. We anticipate the cost to reach \$150,000 as this vessel was built in 1902 and considerable renewal of shell plating and general revision of the internal structure is to be made.

We also provided for the installation of radars, echo sounders, radio telephones and special generators in various units of the fleet in order to continue to modernize them and make them better equipped for safety and efficient operation.

The last item in vessel construction is the provision of \$4,015,000 for the auto ferry vessel for service between North Sydney and Port aux Basques. The estimated cost of this ship is \$6,000,000. It is being built at Canadian Vickers in Montreal and delivery is expected late in 1953 or early 1954. So far, only \$50,000 has been spent on this ship but it is anticipated that during the present fiscal year it will be possible to proceed much more expeditiously.

In Meteorological Services, special technical equipment is to be purchased or built to meet specific requirements of the Department of National Defence and is the main item involving an increase in Vote 510 of \$121,625.

Offsetting the foregoing specific increases in various appropriations is a decrease of \$482,520 in Radio Aviation, Vote 497. This was brought about

chiefly by the installation in previous years of equipment to currently satisfactory standards of very high frequency receivers and transmitters and standby power plants.

Category 13—Construction or Acquisition of Buildings and Works, including Land, which is quite a large item in the Department of Transport,

1952-53	\$24,167,306
1951-52	20,799,018

An increase of \$ 3,368,288

In Canal Services we are continuing the construction of the Atwater Tunnel under the Lachine Canal and we have provided the sum of \$2,893,000. The estimated cost of this project is nearly \$7,000,000, one-third of which will be paid by the city of Montreal. Up to March 31 of this year, we had expended on this project over \$3,200,000 and the final completion of the tunnel is not expected until the summer of 1954. The contractor is Atlas Construction Limited who also had the contract for the St. Remi Tunnel which was opened to traffic in December 1951. These estimates provide for only \$30,000 for final payment of this project. The total estimated expenditure is \$4,275,000, of which one-third is to be paid by the city of Montreal. I might mention that at the Welland Canal we are at last going to build a still-water berth at Port Weller for the protection of our gatelifter which is a very expensive piece of equipment which cannot be replaced today for less than \$2,000,000. Up to the present time we have been fortunate in having been able to weather the storms at the entrance of the canal on Lake Ontario without too much damage to this equipment. This is purely an insurance proposition in order to avoid a major capital works as a result of a serious accident.

We have also provided for a contribution to the County of Welland in the amount of \$225,000 towards the construction of a highway on the south side of the canal to alleviate traffic conditions at bridges 13 and 14 in the city of Welland. If the province, county and the municipality proceed with the project, the federal government will make a contribution in the amount stated. We have also included an amount of \$100,000 for a contribution to the corporations of St. Catharines, Merrittton and Thorold toward the construction of an interceptor sewer. The responsibility of the department is clearly defined. If the project is undertaken by the corporations, the total contribution by the department will be \$473,000. The progress of the work would not be sufficient to warrant more than the amount which we have included in our estimates for this year.

In Aids to Navigation, I would like to mention two items of considerable importance. One is the reconstruction of the agency wharf at Dartmouth, on which we propose to spend this year \$180,000, and the construction at the entrance of the St. Mary's River of a permanent structure to replace the Gros Cap Lightship. This latter undertaking will cost the department \$350,000, but it is expected that the economies to be derived therefrom would be sufficient to liquidate the capital cost in a period of 10 years. The present lightship will be replaced by a concrete pier constructed on a shallow part of a reef some two miles off shore in Whitefish Bay. The new pier will accommodate a fog alarm plant, provide living quarters for the keeper and his assistants, and will carry an improved light for the guidance of vessels entering and leaving upper St. Mary's River. The lightship presently in use, which is 35 years of age, will then be released and transferred to salt water in replacement of an older vessel performing this same service.

For Contract Dredging Capital, we have provided in this year's estimate \$2,821,326 or an increase of approximately \$800,000 over last year. Honourable

senators will recall that the five-year contract which was entered into in 1947 came to an end during the navigation season 1951. There are, however, a certain number of clean-up items to be performed by the contractor together with the overage performed during last year. These items in excess of \$300,000 are provided for as well as the first payment on a new five-year contract which we have estimated at \$2½ million.

In June of 1950 a committee of five engineers was appointed in the Department of Transport to make recommendations as to the program of work to be followed both in the immediate future and over an extended period in regard to deepening, widening and straightening the St. Lawrence Ship Channel, having in mind the ultimate completion of the St. Lawrence Deep Waterway and the future development of the Harbour of Montreal.

In the late summer of 1951, the said committee reported and advised that the channel is well designed and that except at certain places where experience has shown that cross currents, sharp bends and lack of adequate anchorage areas present some difficulties to navigation. Certain improvements were recommended to be undertaken as soon as possible. It was decided to prepare plans and specifications for this work, which the committee had estimated to cost \$12,540,225. Tenders were called early in March of this year and two firms submitted bids—one at \$13,943,500 and the other at \$13,021,900.

The contract was awarded to Marine Industries and it covers a period of five years for the indicated work.

Capital works to be undertaken for the Hudson Bay Railway show an increase of \$93,800. They include mainly the construction of an express office and shed at The Pas, Manitoba, as existing facilities are too small to accommodate the growing traffic which at the present time is left outside, exposed to damage by rain and frost. We are also providing \$41,000 to continue the program initiated last year for maintenance of track materials between The Pas and Churchill.

For the causeway across the Strait of Canso, we are providing the sum of \$1,800,000, an increase of \$800,000 over the amount voted last year. As honourable senators will recall, the government program was to build a low level bridge but the Board of Engineers, which had so recommended, reconvened and put forth a new recommendation for the construction of a causeway. A very small amount was expended last year out of the appropriation. The situation on this major undertaking may be summarized as follows:—

The Causeway and Lock Project recommended by the reconvened Board of Engineers in their report of June 1951 at an estimated cost of \$22,760,000 is being undertaken by the government. The services of O. J. McCulloch & Co., Consulting Engineers of Montreal, were retained in October 1951 to design and supervise the construction of the project for a lump sum fee of \$525,000, covering a construction period terminating in December 1955. The project is to be awarded in four main contracts—

(1) Rock fill Causeway and mainland approaches to sub-grade level—total amount of rock fill estimated at 5,000,000 cu. yds.,—work advertised for tender April 3 and tenders called for May 13 with completion date set for December 31, 1954.

(2) Lock, entrance piers and excavation for the lock and entrance channels. We expect to call for tenders late this year.

(3) About thirteen miles of railway diversion on the mainland from the causeway to Linwood Junction and about 3 miles of rehabilitation of the existing Inverness Line to be called for tender by the Canadian National Railway in the spring of 1953.

(4) Railway and highway swing bridge over the lock and steel gates for the lock, and so on. We expect to call for tenders late in 1953.

The province of Nova Scotia has agreed to contribute \$5,500,000 to the capital cost of the Canso project and also to construct their own highway approaches, estimated by the board at \$750,000.

The department is providing \$1,180,000 to continue the enlargement of dock and terminal facilities at North Sydney. This represents a decrease in appropriation of \$480,000 over last year. Honourable senators will recall that the contract for dredging and dock work was let by tender to T. C. Gorman, of Nova Scotia, with the work under the supervision of the Department of Public Works. The total amount expended to date is about \$1,400,000, indicating that this project is not expected to be completed this year. As a matter of fact, we are trying to co-ordinate this undertaking to be ready at the same time as the auto ferry and the new facilities at Port aux Basques.

The new dock and terminal facilities at Port aux Basques, estimated to cost \$3,700,000, are still under way. The main contract for the dock has been awarded by tender. There is provision in this year's estimates of \$1,810,000 for this project, or an increase of \$810,000 over last year. The total amount spent to date on the project is of the nature of \$700,000. Some of the facilities to be provided include elevators on dock, steel frame shed, a parking area and railway facilities.

Under Vote 497, Telecommunications Division, we are providing for an amount of \$1,870,000 covering some 104 projects which are considered essential for the efficient operation of aids to air navigation. As the program varies from year to year it is difficult to make comparisons. Examples of the major projects are: Purchase and installation of modern recording equipment for Air Traffic Control towers and centres, \$136,400; Purchase and installation of I.L.S. equipment, \$145,490; Establishment of a ground controlled approach radar at Gander, Newfoundland, estimated to cost \$604,000, for which \$123,000 is required for 1952; Reconstruction of buildings and construction of a low frequency homing beacon at Mecatina, \$180,000; and construction of a radio range and four dwellings at Terrace, British Columbia, \$100,000.

The major projects under Vote 499—Radio Act and Regulations—are as follows: construction of a four-unit apartment at The Pas, Manitoba, \$50,000; moving Ottawa Ionospheric Station from Prescott Highway to Connaught Ranges, \$25,000; and establishment of a radio frequency measurement station at Edmonton, Alberta, \$39,000.

In Radio Aids to Marine Navigation we propose to spend \$337,400, or an increase of \$193,400 over the previous year.

This Vote contains 43 projects which are required for improvements to buildings and facilities at coast stations and radio beacon stations required as radio aids to marine navigation. The increase is brought about by the replacement of obsolete transmitting equipment, which is over 20 years old and falls far short of modern and international requirements. Also, it is now necessary to replace with diesel power, gasoline driven power plants which are old and hazardous.

In our Telegraph and Telephone Services there is an increase of \$125,600 over last year, the amount for this year being \$528,000 and including such items as: federal assistance in provision of telephone service in Ontario and Quebec \$35,000; metallicizing and expanding of existing grounded telephone circuits and replacements of pole lines as required at Dawson Creek, \$35,000; replacing airport control cable at Quesnel, \$25,000; expanding existing telephone system at Sechelt-Pender Harbour, British Columbia, \$29,000; complete reconstruction of telephone line at Port Alberni-Ucluelet, British Columbia, \$50,800; construction of two staff houses at 150 Mile House, British Columbia, \$36,000; establishing long distance service for Kitimat, \$25,000; and teletype machines and associated equipment for Ashcroft-Terrace, British Columbia, \$29,500.

At this point I would like to indicate to the committee that the expansion of interior British Columbia has reached such a tempo that the government is of the opinion that a commercial company should now provide the necessary telephone and telegraph facilities in that area. We do not feel that the federal government should be the agency to serve the public in well-developed and industrial areas, and arrangements will be made to dispose of our facilities in British Columbia to any commercial company which may be interested in continuing the operation as it presently exists and at a standard of service no lower than that provided at the present time.

Under Airways and Airports—Construction, we are providing for an expenditure of \$7,267,000, an increase of \$427,000 over last year. There are over one hundred projects to be undertaken or continued throughout Canada, the major ones being as follows:

Runways

Gander	\$ 200,000
Regina	950,000
Grande Prairie	150,000
Prince George	930,000
Vancouver	1,600,000

Terminal Buildings

Moncton	\$ 200,000
Ottawa	50,000
Lakehead	100,000
Saskatoon	100,000
Winnipeg	75,000

We are proposing also to instal high intensity runway and approach lighting at Gander, Montreal, Toronto, Regina and Vancouver at a cost of \$575,000, and to construct aircraft parking aprons at Toronto costing \$120,000, Brandon, \$30,000 and Swift Current, \$30,000. A new stores building is proposed at Gander at a cost of \$85,000; and a new parking area is to be provided at Montreal at a cost of \$96,000. This last item is to be operated as a revenue concession. During the last fiscal year, two major works were completed and do not appear in the current year's estimate. I refer to the Prince Edward Island Car Ferry and Terminals, \$75,000; and Ogden Point Pier, \$55,000.

I think, Mr. Chairman and honourable senators, that these are the major projects in the Department of Transport.

The CHAIRMAN: Mr. Lessard has given us a very interesting and apparently a very full survey of the major expenditures in his department, and we have now reached the question period. Is it the wish of the committee that we follow the procedure adopted at other meetings and have questions asked by members in the order in which they are sitting around the table, starting from the end of the table on my right?

Hon. Mr. HAIG: Mr. Chairman, I suggest that we reverse the order this time and begin at the other end of the table. Next day we could alternate by beginning at the end to your right.

Hon. Mr. EULER: A member who is at the left-hand today may have been at the right-hand last meeting.

Hon. Mr. HAIG: I notice that Senator Euler is seated nearer to the right-hand than usual.

The CHAIRMAN: It is not particularly easy for the Senate to reverse itself, but perhaps there is some merit in Senator Haig's suggestion. Shall we begin, then, by calling on Senator King, who is sitting at the extreme left?

Hon. Mr. KING: Mr. Chairman, I came in late and I unfortunately missed part of Mr. Lessard's presentation. I was much interested in what I did hear, and I take it that the expenditures he mentioned are closely allied with defence.

Mr. LESSARD: Many of them are, yes.

Hon. Mr. KING: Closely allied with defence.

Mr. LESSARD: That is correct.

The CHAIRMAN: Senator Lambert?

Hon. Mr. LAMBERT: I haven't any questions at the present time.

The CHAIRMAN: After we have gone around the table, and each senator had an opportunity to ask questions, we can have a more general discussion. Senator Isnor, I am sure you have some questions to ask?

Hon. Mr. ISNOR: I think I would have, if I had more time to study this subject. The report as presented by the Deputy Minister has been very enlightening and very full. I was interested more particularly in the cost of the improvements to the Montreal Harbour, which are necessary because of the larger schemes. Could you break that down?

Mr. LESSARD: Senator Isnor, the channel between Montreal and below the Isle of Orleans is now sufficiently deep to allow navigation of 27 feet, 28 feet or 30 feet; it is dug to 35 feet deep, and its width is on the average of 550 feet, and at bends it is 800 feet. As you fully realize, the size of ships—even without the completion of the St. Lawrence Seaway—is increasing. In the Labrador development they are building two vessels 700 feet long. They are looking anxiously towards Montreal to move some of their ore, even though the St. Lawrence Seaway is not built, for transfer to canal size vessels or railway cars.

The purpose of the contract given this year to Marine Industries, which is to extend over a period of five years and amounts to \$13 million, is to improve the channel at certain places where it is considered too narrow by shipping people, by our own officers and by the pilots. I do not see how we could stop 700-foot vessels from coming up to Montreal; and if an accident happened, the whole channel would be blocked. We do not propose to widen beyond 550 feet, except at points where the currents are strong and where there is a lot of siltation.

As to the development of the harbour, the government has not reached any final conclusion as to what is to take place in Montreal.

Hon. Mr. ISNOR: It is the last part of my question, that I have particularly in mind.

Mr. LESSARD: No decision has been reached by the government.

Hon. Mr. ISNOR: Have you an estimate in mind as to the likely cost of improvements that are necessary?

Mr. LESSARD: No, I have not, Senator. That is, as to the cost in money in the Montreal Harbour?

Hon. Mr. ISNOR: For the Montreal harbour proper.

Mr. LESSARD: No, I have not.

Hon. Mr. ISNOR: I was interested in the observations you made in connection with disposing of or selling of the telegraph rights to private enterprise. Would that be because of the recent aluminum operation in that part of the country?

Mr. LESSARD: It is one of the factors, the development that is taking place at Kitimat.

Hon. Mr. ISNOR: And the railway that is being built.

Mr. LESSARD: Yes; but there are many such developments in British Columbia.

Hon. Mr. ISNOR: It would extend beyond that, or in conjunction with that?

Mr. LESSARD: We intend to sell all our facilities in British Columbia, both telegraph and telephone.

Hon. Mr. ISNOR: That would require the approval of the government, would it?

Mr. LESSARD: Yes; the sale would have to be approved by the government, naturally. One of the provisos in the notice to those who have shown interest in the purchase of the facilities, is that they are required to continue to provide the same service we have supplied in the past, although to some points they are not profitable.

Hon. Mr. ISNOR: Would it be in order to ask whether any company has shown an interest in the purchase?

Mr. LESSARD: Two companies are interested: The British Columbia Telephone Company and the Canadian National Telegraphs.

Hon. Mr. KING: That follows the policy that has been in operation for years, as the country developed, to sell these rights?

Mr. LESSARD: That is correct.

Hon. Mr. ISNOR: I think those are all the questions I have to ask, Mr. Chairman. I have a note in regard to the Canso Causeway, but perhaps I may come back to that later when the other members have asked their questions.

The CHAIRMAN: Precisely. Senator Gershaw?

Hon. Mr. GERSHAW: I have nothing to ask, Mr. Chairman, except to make the observation that I am amazed at the tremendous amount of work and its cost to be undertaken in one year. We in the dried out areas hesitate to ask for a few thousand dollars for irrigation purposes, but after seeing these big expenditures, we will not hesitate so long, because irrigation work is more permanent. In those dried out areas we of course do not benefit from such estimates as these. That is all I have to say, Mr. Chairman.

Hon. Mr. HOWDEN: I have no questions.

The CHAIRMAN: Senator Haig?

Hon. Mr. HAIG: Mr. Chairman, I would like to ask Mr. Lessard one or two questions. First, how much estimates are included in the figures that you gave, are really defence estimates?

Mr. LESSARD: You mean work that we are undertaking—?

Hon. Mr. HAIG: Several times you said you needed this or that because Defence needs it.

Mr. LESSARD: That is right.

Hon. Mr. HAIG: I want to know how much of your estimates is for Defence. If they were strictly divided between your department and Defence, we would charge them to Defence.

Mr. LESSARD: I can say this, for example; there is an item of \$500,000 for degaussing of vessels and strengthening of vessels, which is a requirement that the Navy indicated should be done in case of emergency; and the government has seen fit to provide a half a million dollars to degauss new vessels which are now under construction, so that when an emergency comes they will be ready and organized. We also have a number of merchant ships, all of which were built during the last war and on which degaussing and strengthening was provided; but a lot of that equipment has been abandoned, or the companies have not looked after it. They were not obliged to do so. We are making a survey to see how much it would cost to rehabilitate this equipment. The Department of Transport has the responsibility of spending the money at the requirement of the Navy. That is one item of \$500,000.

Under airports, undoubtedly there are some figures. I would ask Mr. Cowley to point to some.

Air Vice-Marshal COWLEY, Director of Air Services: Yes, Mr. Chairman. It is hard to differentiate what is chargeable to National Defence and what is chargeable to Transport. The general principle is that very little work is undertaken by Transport which has no bearing on Defence. We have a committee which reviews the airways policy at all times, and unless there is a strong National Defence interest in an airport, it is unlikely that very much work will be done on it. It is almost impossible to show the amount that would be directly chargeable to National Defence, and that which would be directly chargeable to us. If it is entirely National Defence, it does not appear in the estimates, but if there is a civil need for the same estimate, then it comes in.

Hon. Mr. HAIG: What about the airways? You are spending a lot of money in Montreal, Toronto and Vancouver—you don't seem to be spending any in my city. Is that purely for commercial air services?

Mr. COWLEY: No, not purely so. In every event we are influenced by National Defence requirements, as to the strength and the length of runways and so on. From the civil point of view, we try to locate them as near the cities as possible so that they will have some residual value, should the National Defence requirements cease to exist.

Hon. Mr. HAIG: What about all the air service in the North you spoke of, weather service and so on. Is that for defence?

Mr. COWLEY: Not so much; that is a requirement.

Hon. Mr. HAIG: If Russia were located other than where she is—say in South America—would you spend that money up there?

Mr. COWLEY: I think we would undoubtedly, but possibly not necessarily at this time. These services are speeded up by defence requirements. But they are a civil requirement as well.

Hon. Mr. HAIG: I am going to ask you a more difficult question. You of course know that we are spending a large amount of money on defence. Most of us think it is necessary; in fact, we think it is imperative; but we are not so keen about ordinary, average, everyday expenses, and I think most of us would like to cut them down. I do not see any evidence in your Estimates that they are being cut down. Can you give any explanation as to that?

Mr. LESSARD: Well, I have indicated briefly a certain number of reductions in expenditures. For instance, I might point out to you that one of the major undertakings of the department is the ferry service to Newfoundland, which is a Confederation promise, and has to be fulfilled by the government. We are spending around \$4,000,000 at North Sydney and about the same amount at Port aux Basques, and \$7,000,000 for a new ferry boat.

Hon. Mr. HAIG: \$17,000,000?

Mr. LESSARD: All told, about fifteen to seventeen million dollars,—by virtue of Confederation, we undertook to provide a ferry service to carry automobiles, and the Province of Newfoundland has indicated that their highway may be completed in 1953; and we are going forward with these three projects. Canso, you know, has been a sore point for many years, and finally, we believe, we have found a way of improving transportation facilities to Cape Breton, where as you know we have coal and steel, and at the present time traffic is delayed because you have the operation of two very old car ferries by the railway, and also automobile ferries by the province; and once the causeway is built it will be a permanent structure. In Montreal an agreement was reached three years ago with the City of Montreal, where traffic conditions are very heavy from the centre of the city down to Verdun, Ville Lasalle, and municipalities south of the canal. The Department's responsibility, of course, is because we have the Lachine Canal, and we are the ones that are hindering the traffic. To ameliorate traffic conditions an agreement was made with the city they are paying one-third of the cost of these projects.

One item I mentioned in aids to navigation, the construction of a permanent structure in St. Mary's River is one, we feel, that will pay for itself inside of ten years. We have in the Department of Transport about fifty ships, and they are extremely old, and we are spending a great deal of money in repairing them every year and we are not getting anywhere. We are not able to give the proper service to the lighthouses and for the clearing of the harbours in the Maritime Provinces where ice accumulates. Every year we have requests for aid to ships caught in the ice, and we have not the equipment to help them. We have one ship that is modern. So we are providing for a new vessel in Saint John. That is the only new construction we have. The balance consists of items which were started in previous years, and it would cost more to stop them than to complete them. When we went to the Treasury Board we got our wings clipped on numerous items which we felt should be included in order to effect economies, but we were curtailed for national defence purposes.

Airport construction is warranted by the increase in traffic and the types of aircraft which are now being used, and it makes for safety. Trans-Canada Air Lines has a wonderful record in Canada. That is no doubt due largely to the company's efficiency, but it is also due to the facilities provided by the department for accurate weather forecasting, to the radio beacons we have installed and to the types of airports we have maintained, and which we are striving to expand with the progress of the industry.

Hon. Mr. HAIG: One other question: has the department given any consideration to granting air transportation two or three times a year to the ends of Canada—I mean the four Maritime Provinces and the Western Provinces—to members of parliament?

Hon. Mr. EULER: How about senators?

Hon. Mr. HAIG: You are a member of parliament.

Hon. Mr. EULER: No.

Hon. Mr. HAIG: Yes, you are. Parliament includes the members of the House of Commons and members of the Senate.

The CHAIRMAN: Order. I do not think that is a question we should ask Mr. Lessard to pass an opinion on.

Hon. Mr. HAIG: I want to know if he has considered that. If he says "I have not", or "My department has not considered it", that is that.

The CHAIRMAN: If the Minister of Transport were here that would be an entirely proper question.

Hon. Mr. HAIG: He can tell me. We have never had trouble about that with Mr. Bryce. If he had considered something he told me so. I wondered whether the Deputy Minister has any instructions regarding that.

Mr. LESSARD: I would be glad to answer that question, but I have nothing to do with air transportation. The only person who could answer that would be the Chairman of the Air Transport Board, if he were here.

Hon. Mr. HAIG: He is not here?

Mr. LESSARD: No.

Hon. Mr. HAIG: We should get him here.

Mr. LESSARD: We can get him if you want.

Hon. Mr. HAIG: I cannot see why I or any other senator either from the Maritimes or the Western Provinces should have to stay here from Thursday to Tuesday night, while senators from Ontario and Quebec can go home and attend to their business. We should be given, three or four times a year, transportation to our homes so that we can give a little attention to our

private business, because the salaries we receive, with the cost of living as it is, are not sufficient. I think we should have the Transport Commissioner here and find out what the situation is.

Hon. Mr. KING: He cannot give you that information. It would have to come from the minister.

Mr. LESSARD: To answer your question whether it was ever considered: it is the Chairman of the Air Transport Board—

Hon. Mr. HAIG: Do you think we ought to have the minister?

Mr. LESSARD: I presume that the minister could answer your question, or Mr. Baldwin, as to whether it was ever considered.

Hon. Mr. LAMBERT: If I may interject on that point, I happen to know that this subject has been discussed many times, and has been raised in the House of Commons and elsewhere. I know that when Mr. Howe was in charge of this department he refused absolutely to introduce passes in connection with Trans-Canada Air Lines. I believe his successor's attitude is the same; and in doing so, I think both of them are on perfectly sound ground.

Hon. Mr. HAIG: I don't know. My honourable friend comes from Ottawa; he would not have the kind of feelings I have.

Hon. Mr. LAMBERT: It is a matter of common knowledge that that is the attitude of the ministers.

Hon. Mr. HAIG: That is all right. You come from Ottawa, and I come from Winnipeg.

Hon. Mr. LAMBERT: That does not matter.

Hon. Mr. HAIG: Oh, yes, it does. I think the minister ought to come and give me that answer. Senator Isnor gave me "hail Columbia" yesterday because I happened to answer one of his questions, and I do not want to repeat that policy, because I do not like it; but my friend could get the same answer.

The CHAIRMAN: Order. This is a very interesting diversion.

An Hon. SENATOR: Very interesting!

Mr. CHAIRMAN: Order. The administration of the Trans-Canada Airlines is under Mr. Howe, and I think if that question were to be answered with any intelligence—

Hon. Mr. HAIG: I thought it was under the Minister of Transport.

Mr. LESSARD: No, the Trans-Canada Airlines is the responsibility of Mr. Howe, and the Air Transport Board is the responsibility of Mr. Chevrier.

Hon. Mr. HAIG: Let us get the Air Transport Board first, and then if we need Mr. Howe we can call him afterwards. Those are all the questions I have to ask, Mr. Chairman.

The CHAIRMAN: Senator Aseltine?

Hon. Mr. ASELTINE: I am more or less astounded by the amount of money that is being spent. I cannot see that we are cutting down expenditures very much, and I note further that very little of this money is being spent in Saskatchewan, the province from which I come. Can I get any information on the amount of money being spent in 1952-53 in my province?

Mr. LESSARD: Well, I have something here as to airports. Regina, \$950,000, and the terminal buildings at Saskatoon, \$100,000.

Hon. Mr. ASELTINE: That is all?

Mr. LESSARD: Those are the only two I have singled out. There are all kinds of others. We have seventy votes and it is pretty hard to segregate them by provinces.

Hon. Mr. ASELTIME: I understand that.

Mr. LESSARD: I just mentioned the big ones. We certainly have a lot of money that we are spending in our meteorological and radio services in Saskatchewan—relatively the same amount as in other provinces.

Hon. Mr. ASELTIME: Have you anything to do with the building of the Trans-Canada Highway?

Mr. LESSARD: No.

Hon. Mr. ASELTIME: What department does that come under?

Mr. LESSARD: Resources and Development.

Mr. COWLEY: Here is a list of some of the expenditures in Saskatchewan. North Battleford, revisions to lighting system, \$8,000; Prince Albert, installation of lighting, \$8,000; Regina, construction of a runway, \$950,000; Regina, construction of a second runway (first stage), \$25,000; Regina, installation of lighting on taxiways, \$10,000; Regina, construction of equipment and workshop building, \$25,000; Saskatoon, construction of terminal building (first stage), \$100,000; Swift Current, construction of parking apron, \$30,000; construction of two dwellings, \$34,000; revisions to lighting system, \$8,000; installation of lighting on taxiways, \$10,000; Yorkton, lighting on taxiways, \$8,000.

Hon. Mr. McDONALD: You are getting more than your share, Senator Aseltine.

Hon. Mr. ASELTIME: My friend thinks that is quite a lot of money, but when you add it up it does not amount to \$1 million. That is all I have to ask, Mr. Chairman.

The CHAIRMAN: Senator Euler?

Hon. Mr. EULER: I have no questions.

The CHAIRMAN: Senator Golding?

Hon. Mr. GOLDING: Mr. Lessard has given us an interesting picture of the expenditure increase in some departments and that sort of thing, but it is pretty difficult to just hear a statement read like that and immediately be able to check up on the various departmental expenditures. What I should like to know is whether the projects you are proposing to spend this money on will in turn be revenue producing? To what extent will they be revenue producing to the department or to the government, if at all?

Mr. LESSARD: Well, the main construction items—and I presume that is what you are referring to?

Hon. Mr. GOLDING: Yes.

Mr. LESSARD: The operation of the ferry service to Newfoundland will produce some revenue, but not sufficient to take care of the full cost of the operation of the facilities. That is understandable. We have the same problem with the services to Prince Edward Island. The construction of the two tunnels to Montreal are not revenue producing, but the improvements to the channel will bring about the better handling of trade in the St. Lawrence River. The construction of a permanent light ship in St. Mary's River will not produce revenue but will curtail expenditures. After a period of ten years we will operate that facility for much less money. As to some of the airports, we do get considerable revenue from the landing fees, and when we construct a new administration building there are rental revenues, and so on. By and large, however, they are not revenue producing. They are services that we provide to the public.

Hon. Mr. GOLDING: I think in connection with this committee's work, while we are anxious to know why there are increases in expenditures, there could be very good reasons for these increases. It may be that they prove beneficial to the country as a whole, and that that is the reason they are being made.

Therefore, you do not want to curtail services that are going to improve the condition of the country from many angles. That is what I have in mind. These outlays that you have proposed, are they on the whole going to be beneficial to the people of Canada?

Mr. LESSARD: That is the yardstick we use before we do spend any money.

Hon. Mr. GOLDING: I notice that your expenditures are up nearly \$10 million or something like that?

Mr. LESSARD: That is correct.

Hon. Mr. Golding: And you have given us an outline of the various departmental expenditures, so the only thing we can do now is to go back and deal with these in detail. As I say, you cannot listen to a statement such as you have given and then be in a position to deal with each item right off the bat.

The CHAIRMAN: Senator McDonald?

Hon. Mr. McDONALD: I, too, should like to thank Mr. Lessard for the information he has given us today. I think that Mr. Lessard was going to give us the increase in salaries and wages over the previous years.

Mr. LESSARD: Yes, I have that breakdown now. The overall increase in salary group No. 1 was \$2.8 million. The increase is due chiefly to the following factors: The general salary increase effective December 1, 1951, accounting for \$1.7 million; the increases for salaried personnel—normal increases—\$380,000; the changes in basic rates, in connection with the prevailing rates and other special classes, \$400,000. When we speak of prevailing rates these refer to employees who are paid by the hour, and the Department of Labour makes a survey as to similar employment in the area and recommends to us that we should increase the rate for a carpenter or a labourer and so forth. That amounts to \$400,000. The estimated cost for casual labour is \$193,000, making a total of \$2.8 million.

Hon. Mr. McDONALD: Mr. Lessard, I did not notice anything in the estimates for the building of a boat between Yarmouth and the New England States. What is the situation there?

Mr. LESSARD: The situation is, senator, that at the present time we have all preliminary plans and specifications ready, and as soon as the government decides that the steel situation warrants the construction of this vessel we can go ahead and call for tenders and have the vessel constructed inside of eighteen months. We have no money in the main estimates this year for the Yarmouth-Bar Harbor Ferry, which I take it is what you are referring to.

Hon. Mr. McDONALD: Yes.

Mr. LESSARD: I understand that the Department of Public Works have made provision to purchase a site at Yarmouth either to improve the present dock or, if necessary, build a new dock to meet the specification of this new vessel. As you know, the vessel is going to be an improvement over what you have at the present time. It will have a carrying capacity of up to 150 automobiles and 600 passengers, and we realize that this vessel will provide a very important service to the Maritime provinces, to the tourist industry, and also to trucking services which are now and have been for some years moving fish between the Maritimes and the Boston area and other parts of the New England States. The State of Maine has given full approval to the development necessary at Bar Harbor, and the municipality of Bar Harbor has purchased a site for building a causeway and a dock at the end of the causeway to take care of the new ship when she is completed.

Hon. Mr. McDONALD: For how long in every year will the boat operate? Will it be operating the full twelve months?

Mr. LESSARD: I have my doubts that it would be economical to operate the ship the year around, sir, because she would be much too big for the traffic offered in winter months.

Hon. Mr. McDONALD: I know that you people have nothing to do with policy, but it seems to me that we ought to keep in mind that the thing of first importance there is to do that which is in the interest of the primary producers in the western part of Nova Scotia. Our natural market is in the New England States, and not up this way. It is just an overnight trip from Yarmouth, and the development of trade by the primary producers of western Nova Scotia is the thing that should be kept in mind as of first importance, and then the development of the tourist industry. In order to develop trade with our natural market there we need an up-to-date boat with coldstorage facilities, with space for some trucks as well as for cars, and comfortable accommodation for passengers. This boat, I think, should be operated for the full year. You cannot expect primary producers to grow their products for the New England markets unless they know that they are going to get better transportation.

I am thinking particularly of the Cornwallis-Annapolis Valley, where they have had to make a radical change in their operations. They first were fruit producers, and their main income was from selling of fruit to England. That market, as you know, was cut off, and we have not been able to get back on it because the English people have not the funds with which to buy our fruit. We are facing this year a very critical situation. If we have a good crop in the Cornwallis-Annapolis Valley and there is a good crop in British Columbia, and the usual production of apples in Ontario and Quebec, we may be without much of a market. Our people have already taken out about half of their apple trees, some one million trees in all. They have grafted some of the younger trees to unprofitable varieties into the better dessert varieties. But a lot of the farmers have had to go into other lines, into some dairying, some poultry, some beef raising, some hogs and some small fruits and vegetables. We have a potential market in the New England States for a lot more than is being marketed there today, and we ought to have a boat that will operate all year in order to give the primary producers a chance to market their products.

Mr. LESSARD: You realize, senator, that it is quite a problem to design a vessel that would meet the requirements of all sections of industry. The prime concern here is for the movement of goods in trucks, which I believe are now handling the larger part of the traffic. The trucks will be able to get on this vessel and go down to Bar Harbour, and in that way cut out 150 to 200 miles of highway travel. There is no provision for refrigerated space on the vessel, because the trucks themselves have refrigerated space. As you know, fish and apples are moving by refrigerated trucks. The ship has been designed to make one round trip between Bar Harbor and Yarmouth at the lowest possible cost while producing the greatest revenue, so that we shall not have a continuing deficit on its operations. It will be an improvement over the vessel that is now operated by the Eastern Steamships down to Boston. As you know, the Maritime Commission pays a subsidy to a company which provides a service between Yarmouth and New England in winter; and I presume that will be continued until there is sufficient traffic to warrant the operation of the big vessel.

Hon. Mr. McDONALD: I think that good provision has been made for the carrying of fish by refrigerated trucks, but the present service for carrying farm products is very unsatisfactory. I wonder if you have taken fully into consideration the fact that a lot of the smaller farmers will have to depend on the New England market for the sale of their small fruits and vegetables, and perhaps for some dairy products and meats, and it is difficult for them to

furnish the refrigerated trucks. There should, I think, be a refrigerator car on the D.A.R. running into Yarmouth, and refrigerated space on the boat going to the leading markets. I think it is very important to keep that in mind, because the farmers in the distressed area where they have had to go out of fruit production have been badly hit.

Mr. LESSARD: That is a very good suggestion. I might mention that on the committee that was planning the design of this vessel the Minister of Trade in Nova Scotia—I am not sure if that is his proper title—was represented, and we had the advantage of his advice as to traffic moving between Nova Scotia and the New England States.

Hon. Mr. McDONALD: It seems to me that we must keep in mind that in order to develop satisfactory trade with the New England States we need a boat running twelve months of the year.

Now may I mention another subject? I have been wondering what is the situation as to the proposed airport at Halifax, which is a matter of great importance to us in Nova Scotia.

Mr. LESSARD: I think perhaps Air Vice-Marshals Cowley could answer that.

Air Vice-Marshals COWLEY: A site has been tentatively selected near Lucasville, but before we put in any estimates for it we want to have a complete weather picture. We have been told that the weather there is better than at Dartmouth, and we put in a weather observing team, which began its work last December, but we shall need reports on the weather for a whole year before we know whether Lucasville is suitable for the airport.

Hon. Mr. McDONALD: All the progress that can be made so far has been made?

Air Vice-Marshals COWLEY: I think so, without spending money recklessly.

Hon. Mr. McDONALD: That is all, Mr. Chairman.

The CHAIRMAN: Senator Burchill?

Hon. Mr. BURCHILL: Referring to the estimated cost of \$22,760,000 for the causeway at Canso, I understand from you that the government of Nova Scotia is making a contribution of \$5½ million to that?

Mr. LESSARD: Yes. That is the maximum contribution of the provincial government. If we are successful in getting the causeway built for less than \$22 million, the province's contribution will be reduced accordingly.

Hon. Mr. BURCHILL: You have let one tender, I understand.

Mr. LESSARD: We have let out one contract.

Hon. Mr. BURCHILL: How does the cost on that tender compare with the estimates for that particular work?

Mr. LESSARD: It is lower.

Hon. Mr. BURCHILL: That is all I wish to ask.

Mr. LESSARD: By the way, we were happy about the number of tenders we got. We had nine companies tendering; the lowest was \$5.8 million and the highest was \$9.8 million.

An hon. SENATOR: What was the estimate?

Mr. LESSARD: Around \$6.3 million.

The CHAIRMAN: Senator Barbour?

Hon. Mr. BARBOUR: Mr. Chairman, I should like to ask a question about Item 33. I see there an increase of almost \$1¼ million. The explanation shown here is "Includes provision for the Deficits incurred in the operation of the Hudson Bay Railway, the Northwest Communication Systems, the Prince Edward Island Car Ferry and Terminals, the Canadian National (West Indies)

Steamships, Limited, and Churchill Harbour." I would like to ask if you have the figures showing what the C.N.R. pays or credits with respect to the traffic on the car ferry?

Mr. LESSARD: You mean the P.E.I. Car Ferry?

Hon. Mr. BARBOUR: Yes.

Mr. LESSARD: The figure we received from the Canadian National Railway is to cover all of their traffic. I take it, you want to know the rate, or the proportion of the rates—

Hon. Mr. BARBOUR: The total amount paid.

Mr. LESSARD: We received last year for freight \$110,000 from the Canadian National Railways; \$8,000 for mail—I presume that is also from the Canadian National—; Express, \$11,000; Passenger, rail and water, \$96,000; and Water Transfer of Vehicles—that is not Canadian National, but I presume they would collect the money and turn it over to us—\$138,000. The total revenue was \$448,000, and expenses \$1·8 million, leaving a deficit of approximately \$1·4 million in the operation of the ferry service.

Hon. Mr. BARBOUR: The complaint that I continuously receive is that the Canadian National is not paying anywhere near what it should, thus increasing your deficit on the operation of the ferry.

Mr. LESSARD: The basis of payment from the Canadian National to the government for the use of the ferry is somewhat as follows: As you know, it is a confederation agreement that we are to maintain the service to the island. Let us say you have a shipment from Charlottetown, going a distance of 100 miles, and the rate collected by the railway is \$1.00 for that shipment. The bridge between Borden and Cape Tormentine is roughly ten miles. Therefore, one-tenth of the revenue collected by the railway is credited to the P.E.I. Car Ferry operation. This I think is the proper way to do it. If you considered it as bridge traffic—the ferry is operated as if it were a bridge—the ten miles is one-tenth of the total distance the commodity is carried, and that principle is applied to all shipments. Naturally, your traffic being primarily potato traffic, going a greater distance, the amount of revenue paid by the Canadian National is relatively smaller than the example which I just gave you.

Hon. Mr. BARBOUR: The criticism is also that Prince Edward Island ships a great deal of through freight, and that the C.N.R. does not pay much more than \$1.00 for having that freight car taken across the strait; whereas, in the case of a motor car, you drive it on and you drive it off, and you pay \$2.00.

Mr. LESSARD: Suppose the Canadian National had a piece of track of ten miles in length, instead of this ferry which is owned by the government, over which it carried these goods. It would not cost more than \$1.00 for that operation—probably less. I think it would not be logical to assess more expenses to the Canadian National, towards the operation of the car ferry; in other words, we should not penalize them because there is car ferry operation, and this is carried on by the government as an established service. If they paid more money to the government, it would naturally be reflected in their expenses, one way or another.

Hon. Mr. BARBOUR: In Item 22 you have shown an increase of better than \$500,000 for "All other Expenditures, other than Special Categories". That seems to be a large amount.

Mr. LESSARD: Yes, and I can explain it. This is a catch-all category. The main item is \$500,000 for degaussing of steamships. The increase is just about \$520,000, so that all other items total only about \$20,000. That is brought about mostly by increase in materials and labour.

Hon. Mr. BARBOUR: That is all.

The CHAIRMAN: Senator Fafard?

Hon. Mr. FAFARD: No.

The CHAIRMAN: Senator Dessureault is not a member of the committee, but he is welcome to ask questions. Senator McLean is in the same category, I believe.

Hon. Mr. McLEAN: I do not see any Newfoundland senators present at the moment, so perhaps I could mention a grievance that province seems to have.

Newfoundland has been in Confederation now for three years, and the telephone service to that island is still bad. In order to call the island you have to get the overseas operator—it seems like a foreign country. When I call Prince Edward Island or Vancouver, it goes right through. The rate to Newfoundland is I believe half the Scotland rate, namely \$7.00. If I choose to call Victoria on Vancouver Island—which is three or four times as far—the charge is only \$3 and something. I know that protests have been made with a view to improving the telephone system, on the part of senators and members of parliament, because when that province came into Confederation it was promised the same rights as other provinces. Now, three years after Confederation, we still have to pay the exorbitant telephone charges to Newfoundland. I would like to ask the Deputy Minister if any progress has been made towards recognizing the rights of Newfoundland as a province of Canada, as far as telephone service is concerned?

The CHAIRMAN: That is a question which I think it is doubtful that the Deputy Minister of Transport could answer. It involves a decision at a much higher level.

Hon. Mr. McLEAN: But the Department of Transport has absolute charge of it.

The CHAIRMAN: I am not quarrelling with that. The point is that Mr. Lessard is an administrative officer.

Hon. Mr. McLEAN: Then who should we have here?

Hon. Mr. HAIG: The Minister—that is the man I want.

Hon. Mr. McLEAN: If we should have another witness, let us get him.

The CHAIRMAN: We will see what Mr. Lessard has to say about it.

Mr. LESSARD: Senator, I think you have raised a good point. First, I should say that when you pick up the telephone and hear “overseas”, the explanation of that is that this service is operated by a Crown company called “Canadian Overseas Telecommunication Corporation”, and the operator says “overseas”, which is a sort of short title. It is known as C.O.T.C., and it was established some two years ago as the result of a Commonwealth undertaking affecting all overseas communications. You are quite familiar with the facilities in Newfoundland and how they were operated before Confederation. The C.O.T.C. had the power to expropriate the companies which were then in existence, the main one being Canadian Marconi Company, which had a contract with the Avalon Company in Newfoundland. I believe the matter has been settled out of court; the settlement took place about a month ago; and you will be glad to know that instructions were issued by the minister to immediately proceed with the reduction of rates on telephone services to Newfoundland.

Hon. Mr. McDONALD: They will not be considered “overseas”?

Mr. LESSARD: No.

Hon. Mr. McLEAN: For three years now we have paid these exorbitant rates. Will there be a rebate?

Mr. LESSARD: Oh, no, I am sorry to say.

Hon. Mr. McLEAN: I know the Income Tax Branch had a special agreement with the Newfoundland government in regard to income tax. The minute

Newfoundland came into Confederation Dominion law overruled all local laws, and because of that fact, Dominion income tax came into effect. I do not see why Canadian law should not apply to telephone companies as well, because we all know that provincial laws are overruled by federal law. When a commission ran the country there may have been an agreement, but it seems to me that when Newfoundland came into Confederation the Dominion laws overrode provincial laws in this respect, as they did in regard to income tax. For three years now hundreds of thousands of dollars have been paid in exorbitant telephone charges.

Mr. LESSARD: Well, they were not exorbitant before Confederation, and they simply continued until we were able to acquire—

Hon. Mr. McLEAN: Why should it take three years? It did not take the income tax people three days.

Mr. LESSARD: Possibly, but this was established after Confederation; as you know, in 1950.

Hon. Mr. McLEAN: No: I have been in business in Newfoundland for seven or eight years, and there has been no change in telephone rates. I paid the same rates in 1946-47 as I do now.

Mr. LESSARD: But the Crown Company which the government established was formed only in 1950, and it is since 1950 that we have been dickering with the Marconi Company and the Avalon Company also in Newfoundland. It has taken all that time.

The CHAIRMAN: I might observe, Senator, that if you are successful in getting a refund—which of course is very speculative—it might open up the question of your income taxes again.

Hon. Mr. McLEAN: Oh, the income tax people are on the job; there is no question about them.

The CHAIRMAN: Senator Ross is not a member of this committee, but we extend to him the courtesy of asking questions.

Hon. Mr. Ross: What is the estimated cost of deepening the St. Lawrence waterway?

Mr. LESSARD: You are now speaking of the development which is being discussed with the United States?

Hon. Mr. Ross: No, just the waterway itself. I am not interested in the power.

Mr. LESSARD: It is estimated at between 250 and 300 million dollars.

Hon. Mr. Ross: That waterway is completed in order to enable ocean-going ships to go from Montreal to Port Arthur?

Mr. LESSARD: Those who desire and find it economical to do so, yes. But it also will allow the Great Lakes ships to go into the St. Lawrence River for iron ore and with grain, and at the same time to find employment elsewhere in the winter time—which they are not capable of doing now.

Hon. Mr. Ross: Yes. Well, there are many Canadian harbours between Montreal and Port Arthur which will have to be deepened: that is, the harbours have to be dredged in order to allow these ocean-going ships to go into the wharves of many harbours between Montreal and Port Arthur. Can you give me any estimate of the cost?

Mr. LESSARD: I have not that, sir, because that is a responsibility of Public Works, and Transport only has the seaway proper. There have been estimates made in the past, but they have never been brought up to date. They are mostly American estimates.

Hon. Mr. Ross: In giving your estimate of the cost of deepening the waterway, you are not including the cost of dredging for these different wharves.

Mr. LESSARD: No. But take, for example, such boats as you have at the present time on Lake Erie, like the *Lemoyne*, *Sir James Dunn* and *Coverdale*, they all draw twenty-five feet of water, and they use these harbours at the present time, so that a minimum of development in Canada would be required to prepare the minor harbours to take deep navigation.

Hon. Mr. ROSS: Yes; that would be true in dealing with Lake Superior and Lake Huron.

Mr. LESSARD: And Lake Ontario.

Hon. Mr. ROSS: Between Montreal—?

Mr. LESSARD: No, not between Lake Ontario and Montreal. Of course, there are not very many harbours there at the present time. We have Prescott and Kingston, and some of these larger vessels can come down. We have a twenty-five-foot channel as far as Prescott.

Hon. Mr. ROSS: You cannot give any estimate as to what it would cost to deepen these Canadian harbours between Montreal and Port Arthur, I suppose?

Mr. LESSARD: No, I have not got that, because we do not feel it is going to be a major item, because we already have navigation to twenty-seven feet.

Hon. Mr. ROSS: But you will have to deepen the harbours, all the same?

Mr. LESSARD: I do not see why you would need to.

Hon. Mr. ROSS: Some would have to be deepened?

Mr. LESSARD: Well, I imagine some of them would, but how many I do not know.

Hon. Mr. ROSS: That is not in your department? That, you say, is under Public Works?

Mr. LESSARD: Yes.

Hon. Mr. GOLDING: May I ask a question that affects our local situation? Up in the city of London they are anxious to get a weather station, and have been for some time. Have you knowledge of that?

Mr. LESSARD: Yes, we have, and that is "in the cards". As soon as we can have the personnel we hope to meet the requirements of London, Ontario. Meteorological personnel is extremely hard to obtain and extremely hard to train. We have a program on now, but we have to turn all our facilities to National Defence on account of their requirements, and we have not the staff to man the station.

Hon. Mr. GOLDING: But you have their representations before you now?

Mr. LESSARD: Oh, yes, very much so.

Hon. Mr. GOLDING: What do you think are the prospects in the near future?

Mr. LESSARD: It depends on the amount of national defence requirements for the future. I assume, if we have no additional requirements from National Defence, perhaps a period of eighteen months to two years.

Hon. Mr. GOLDING: You think it would take that long?

Mr. LESSARD: It would take that long, because we have to train these men, and very few are inclined to go into this scientific work, which is very difficult and requires a Master's degree from Toronto University. We do all we can to help, but we do have competition from industry.

Hon. Mr. GOLDING: I think up in that district they would certainly appreciate any effort you could make to get the station there as early as possible.

Mr. LESSARD: Well, it is one of the items we are looking forward to establishing as soon as we can. It is very much to the fore.

The CHAIRMAN: You mentioned, Mr. Lessard, that you have in your estimates an item for a sewer at St. Catharines. Would that not properly be a municipal expenditure?

Mr. LESSARD: Well, the major portion of the expenditure is definitely to be made by the municipality, but, as you know, there are three canals at Welland. There is the new Welland Canal, as well as the two old canals, and the existence of these three canals has created a situation whereby it is extremely difficult for them to have a central sewage system, and on account of that factor, for which the federal government is responsible, it has been decided to make a contribution to assist them in the development of this main sewer to cover Merriton, Thorold and St. Catharines.

The CHAIRMAN: But St. Catharines derives some benefit from the canal, does it not?

Mr. LESSARD: Yes, from an industrial point of view it does.

The CHAIRMAN: I would think so. It merely raises the question in my mind whether that is not properly a municipal expenditure. Then I notice that you have an amount in your estimates for the construction of some buildings for the Hudson Bay Railway Company at The Pas.

Mr. LESSARD: Yes.

The CHAIRMAN: Now, the Hudson Bay Railway is incorporated under the Canadian National Railways, is it not?

Mr. LESSARD: No, it is entrusted to the C.N.R. for operation, but the federal government is responsible for the capital expenditures and for the deficits thereof.

The CHAIRMAN: Is that under an arrangement made with the Canadian National Railways?

Mr. LESSARD: It is an order in council entrusting the property to the Canadian National Railways.

The CHAIRMAN: I would make the observation that the sooner the Hudson Bay Railway is made a part of the Canadian National Railway System, and the C.N.R. management made responsible for the expenditures, the better it will be. That, however, is not a question that you can pass an opinion on. I merely make that as an observation. Then there was one other question that Senator Haig touched upon, which I should like to prosecute a little further. It has to do with the amount you have in your estimates for the development of radar and radio services in Northern Canada. This amount appears to be pretty substantial. It was answered in part by Air Vice-Marshal Cowley. Would it be a fair statement to say that you have in your estimates here substantial amounts that would not be there if they were not for the purposes of defence?

Mr. LESSARD: As you say, Air Vice-Marshal Cowley has answered that question. It is very difficult to determine. Following the answer that was given, I may say that undoubtedly these expenditures would be undertaken in the future, but they would not be undertaken as extensively as we are undertaking them now. They are particularly meteorological services and radio services. The weather comes from the north and it is extremely important, as I mentioned to Senator Haig, that we have a good Meteorological Service in Canada. It is costing us a considerable amount of money in maintenance, but we are successful in avoiding many possible accidents in air travel, and we are assisting forestry and agriculture wherever possible, particularly in British Columbia. We also have, as you know, these weather ships out on the Pacific Coast. They are extremely expensive to operate and maintain, but we derive a certain amount of benefit from their existence. We cannot say definitely whether this benefit is for National Defence or whether it is for civil purposes. The weather ships themselves are a requirement of the International Civil Aviation Organization.

The CHAIRMAN: There will be no exception taken to the development of weather stations and radio communication facilities which have to do with civil work, and our expenditures in the future in that field will undoubtedly have to be increased. What I am interested in more especially are the expenditures on radar. Now, we are having radar screens set up across Canada.

Mr. COWLEY: We have not got that at all. That is under National Defence.

The CHAIRMAN: I thought you had an item for radar.

Mr. LESSARD: No, that is for radar in our ships.

The CHAIRMAN: Oh, I see. Well, then, that point appears to be cleared up satisfactorily. The car ferry from the mainland to Prince Edward Island is operated by the C.N.R. as I understand it?

Mr. LESSARD: It is a government-owned property and is entrusted to the C.N.R. It is similar to the Hudson Bay Railway.

The CHAIRMAN: And they have complete control of the operations, and like the Hudson Bay Railway, they bill the government for deficits?

Mr. LESSARD: Exactly, but the Board of Transport Commissioners has the control over the rates on the Hudson Bay and not the Department of Transport.

The CHAIRMAN: Quite! You have a number of items in your estimates for improving the Trans-Canada Air Services by lengthening runways and constructing buildings, and so on. I understand that these, of course, are essential to the operation of the Trans-Canada Air Service?

Mr. LESSARD: I do not believe that we could say that they are done for Trans-Canada. They are done for the air services operating in the area, but Trans-Canada undoubtedly derives benefit from the extension of airports.

The CHAIRMAN: The only question in my mind is whether that should not properly be included in the Trans-Canada Airlines budget instead of being included in the budget for these estimates.

Mr. LESSARD: Well, Trans-Canada pays the Department of Transport for the use of airports owned and operated by the Department.

The CHAIRMAN: What I had in my mind is this. There appears to be a tendency in the development of general government services to run into duplication. My experience, limited as it has been in business, has given me the impression that the more clearly you can keep the responsibility defined without having it spread over too many different agencies, the more efficient and economical operation you will achieve.

Mr. LESSARD: That is correct, but I do not think you can give me an example, senator, of an air line that has to build its own airports, except in the hinterland where they have a landing strip for themselves and have come to us for assistance. It is far too expensive for them to undertake it by themselves.

The CHAIRMAN: But the revenues you receive from Trans-Canada Air Lines, the American lines and other foreign lines that use the airports, are short of meeting the administration costs of handling the airport?

Mr. COWLEY: May I answer that question? We do not hope to amortize the construction and capital costs, but we do hope that our airports will carry themselves, and they are rapidly getting into that class. Last year we operated at a profit in Winnipeg in so far as the revenue and the immediate expenditures connected with that revenue were concerned. Toronto shows a profit, but Ottawa shows a loss. By and large, however, we are rapidly reaching the situation where the major airports carry themselves.

The CHAIRMAN: Would that include a modest return on the money invested?

Mr. COWLEY: No.

The CHAIRMAN: You are speaking now about operating expenses?

Mr. COWLEY: Yes.

The CHAIRMAN: Just one other question. I understand that when the St. Lawrence Seaway is finished it is proposed to charge tolls?

Mr. LESSARD: That is correct.

The CHAIRMAN: Can you tell us whether the tolls to be charged will be at a high enough level to give a return on the investment to the government that supplies the capital?

Mr. LESSARD: The principle that is to be followed was fully set out in the St. Lawrence Seaway Authority legislation that was passed last session. The principle is that the full capital cost and the cost of maintenance of the canal on the Canadian side of the boundary will be taken care of, the capital to be fully reimbursed to the government in between forty-five and fifty years, and the annual operating costs also taken care of.

The CHAIRMAN: That is a very sound principle. It is a principle that might well have been followed in the operation of the Welland Canal.

(Discussion off the record with reference to some United States highways on which the tolls are charged.)

Hon. Mr. ISNOR: Mr. Chairman, are those United States highways used in connection with the transportation of goods?

The CHAIRMAN: They are used both for the transportation of goods and passenger traffic.

Mr. LESSARD: My experience has been that truckers will willingly pay tolls on those United States highways, because of the time saved when using them.

Hon. Mr. ISNOR: Mr. Chairman, may I ask a question of Air Vice Marshal Cowley about the Halifax airport? A weather survey team has been there since last November or December, so they already have observations covering the period of the year which is supposed to have the most fog, namely, from November till April, and I am wondering if the records already on hand could not be considered as sufficient, in view of the urgent demand for a new airport at Halifax. Can you give us some encouragement in that respect, Air Vice Marshall Cowley?

Air Vice Marshal COWLEY: Unfortunately not. The weather conditions in winter are bad at both Dartmouth and Lucasville, but it is the summer fog which causes the diversions from Dartmouth. We are hoping the records will show that Lucasville is the better site in summer.

Hon. Mr. ISNOR: How about reports for the months of April and May?

Air Vice Marshal COWLEY: I have not got them yet, sir.

Hon. Mr. ISNOR: I would now like to ask a question of Mr. Lessard. You have weather stations on the Atlantic Coast for furnishing information to the fishermen?

Mr. LESSARD: Yes. We do our normal broadcasting through our stations.

Hon. Mr. ISNOR: You have radio stations?

Mr. LESSARD: Yes.

Hon. Mr. ISNOR: I was very pleased to learn just recently that you gave permission to certain companies in Halifax which operate tug boats and so on to install their own radio systems. That is so, is it not?

Mr. LESSARD: Yes. Whenever there is a request of that kind and there is sufficient traffic to warrant it, and if there is a free channel, we are glad to give the permission. But it is not always possible.

Hon. Mr. ISNOR: In the past I have heard complaints from fishermen that when they telephoned some of your stations—Camperdown, in particular—they were unable to get answers to their inquiries about the weather. Is there any rule against giving out weather information?

Mr. LESSARD: I am not familiar with the particular complaints you refer to, sir, but I shall be glad to look into them.

Hon. Mr. ISNOR: In general, is there any rule against giving that information?

Mr. LESSARD: No.

Hon. Mr. ROSS: Is it intended to charge tolls on the bridge crossing between Cape Breton and the mainland?

Mr. LESSARD: You mean on the causeway, sir?

Hon. Mr. ROSS: Yes.

Mr. LESSARD: No, sir. The tolls on automobile traffic would naturally be the responsibility of the province, and I understand from the province that it does not intend to charge tolls.

Hon. Mr. HOWDEN: Mr. Lessard, I am not sure that I heard you rightly, but I understood you to tell the Chairman a little while ago that the Canadian National Railways operated the Hudson Bay Railway but did not own it.

Mr. LESSARD: That is correct.

Hon. Mr. HOWDEN: Are both railways not owned by the Dominion of Canada?

Mr. LESSARD: Both of them are, sir, but the Hudson Bay Railway is part of the Canadian Government railway system and it has always been kept separate. It is on the books of the government, not on the books of the Canadian National Railways. The Canadian National Railways act as agents in operating the Hudson Bay Railway.

Hon. Mr. HAIG: What did you lose on the Hudson Bay Railway last year?

The CHAIRMAN: It may be that if the proposed revision of the Canadian National Railways' capital structure, which is now before parliament, is adopted, the Canadian National may take over the Hudson Bay line. The only reason why that was not done in the past was that the Hudson Bay Railway has operated at a deficit, and it was felt that the deficit should be charged directly to the government rather than to the Canadian National Railways.

Mr. LESSARD: The answer to your question, Senator Haig, is that last year the Hudson Bay Railway had a deficit of \$158,000.

The CHAIRMAN: Are there any further questions? If not, I wish to express the thanks of the committee to Mr. Lessard and to Air Vice-Marshal Cowley for coming here and giving us this information.

Before we adjourn, I wish to make a brief reference to future meetings. It will be recalled that yesterday I announced that Mr. Goldberg, Director of the Research and Development Division of the Dominion Bureau of Statistics, would be a witness here this morning. He is attending a conference in Quebec, and no one else in his division was available to come here and give us the information we required. On Wednesday next we expect to devote the whole morning to hearing Mr. Gilbert Jackson, a well known economist of Toronto, and on Thursday we are to have Mr. Douglas, of the Canadian Tax Foundation, when we shall take up his figures that were circulated

yesterday dealing with varieties of taxes imposed on Canadians by governments at all levels. We will consider with Mr. Douglas the figures we circulated yesterday as to the variety of taxes that Canadians pay at all levels of government. If it is agreeable to the committee, I shall arrange for Mr. Goldberg to come over for fifteen or twenty minutes, and explain the net national income and gross product figure, which we have before us.

The Committee adjourned.

1952

THE SENATE OF CANADA



Government
Publications

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953

No. 10

WEDNESDAY, JUNE 11, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

Mr. Gilbert Jackson, Economist.

EXHIBITS:

- No. 8. Relationship of Investment to Physical Production, from 1927-29 to 1948-50.
- No. 9. Rate of Increase in the Physical Volume of Production in Canada between 1927-29 and 1948-50.
- No. 10. Investment in Canada, 1927-29 and 1948-50.
- No. 11. Sources of Saving for Investment in Canada: 1927-29 and 1948-50.
- No. 12. Rate of Increase in "Real" Wage Rates per Hour between 1927-29 and 1948-50.
- No. 13. What was Done with Corporate Profit, 1927-29 and 1948-50.
- No. 14. What was Done with Corporate Profit in 1951.
- No. 15. What Became of Canadian Corporate Profit, 1927-29 and 1948-50 and 1951.
- No. 16. Some Canadian Monetary Statistics, 1939 and 1946 to 1951.
- No. 17. Government Expenditures and the Gross National Product, 1939 to 1951.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1952

THE STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

The Honourable Senators:

Aseltine	Fogo	Paterson
Baird	Fraser	Petten
Barbour	Gershaw	Pirie
Beaubien	Golding	Quinn
Bouffard	*Haig	Reid
Buchanan	Hawkins	*Robertson
Burchill	Hayden	Roebuck
Campbell	Horner	Stambaugh
Crerar	Isnor	Taylor
Dupuis	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien (38)
Farris	McDonald	

50 Members

(Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate,
Wednesday, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; that it be empowered to send for records of revenues from taxation collected by the Federal, Provincial, and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.

L. C. MOYER,
Clerk of the Senate."

MINUTES OF PROCEEDINGS

WEDNESDAY, June 11, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Crerar, Chairman; Aseltine, Baird, Barbour, Beaubien, Burchill, Euler, Fafard, Gershaw, Golding, Haig, Isnor, King, Lambert McDonald Reid and Taylor—17.

Consideration of the order of reference of March 26, 1952, was resumed.

Mr. Gilbert Jackson, Economist, Toronto, Ontario, was heard.

At 1.00 p.m. the Committee adjourned.

At 4.30 p.m. the Committee resumed.

Present: The Honourable Senators Crerar, Chairman; Aseltine, Baird, Barbour, Beaubien, Burchill, Euler, Fafard, Gershaw, Golding, Haig, Horner, Isnor, King, Reid and Taylor—16.

Mr. Gilbert Jackson was further heard.

A number of tables filed by Mr. Jackson were ordered to be printed as Exhibits 8 to 17 inclusive.

At 5.45 p.m. the Committee adjourned until tomorrow, Thursday, June 12, at 11.00 a.m.

Attest.

John A. Hinds,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Wednesday, June 11, 1952.

The Standing Committee on Finance, which was authorized to examine the Estimates for the fiscal year ending March 31, 1953, met this day at 11 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: I have great pleasure in introducing Mr. Gilbert Jackson to the committee again. You will recall that he was here a year ago. He has prepared a series of tables which relate largely to the remarks that he intends to make this morning, and he has suggested that copies of these tables be distributed to members of the committee.

I received these copies only this morning, and they will be distributed now. This is a form of light reading which I am sure members of the committee will thoroughly enjoy. Also I know the members of the Press Gallery will be delighted to have an opportunity to wade into something a little bit different from the ordinary fare that they are asked to dispense to the public. I think that at a previous meeting I read to the committee the letter of invitation that I sent to Mr. Jackson.

Before I call upon Mr. Jackson I wish to say, for the information of Senator Isnor, that this morning I was in touch with Mr. Bryce with regard to the third question that Senator Isnor asked him, as to the publications of the various departments. Mr. Bryce so far has received returns from about half of the departments, and we shall have to discuss later what we are to do with the information when it comes along.

Hon. Mr. ASELTINE: May I refer to the question I asked a while ago about the East Block?

The CHAIRMAN: I apologize to you, Senator Aseltine. I shall make a note of that and ask Mr. Murphy about it. The information has not come through to me.

I will now ask Mr. Jackson to speak to us.

Mr. Gilbert JACKSON: First of all, Sir, I should like through you to thank the members of this committee for the compliment which I received from them, in your invitation to me not long ago. Just about this date last year I had the honour of appearing before the Committee. It was a very great honour for the first time. But in my view, to be asked for the second time is a much greater honour; and I should like to begin by saying that I do very much appreciate it.

This time, Sir, I have been asked to deal principally with government expenditure and its possible influence on inflation and deflation. Thus I suppose we begin here this morning, just about where we left off at 6 p.m. on June 12, 1951. It was with that recollection in mind that I prepared figures, so that I could talk with precision this time, and not spoil my welcome by making loose statements as our discussion proceeds.

May I say a few words about the figures, Sir?

The CHAIRMAN: Yes. The meeting is yours.

Mr. JACKSON: Thank you. They come all of them, from government sources; all originated in, or come from the Dominion Bureau of Statistics. The two last pages are a repetition of the two statistical appendices which accom-

panied my testimony last year. I thought that members of the committee who listened so patiently to a discussion of those figures last year might like to have them brought up to date this year, and see the 1951 figures in exactly the same form as the figures for previous years. Some of my former figures have in the meantime been revised in detail by the Bureau of Statistics, but none has been changed materially. In other words, the last two pages merely add 1951 figures to data which are already in the committee's records.

Will members of the committee kindly look for a moment at the figures on the first page? Indeed, it might be well to run over all the pages—so that you may see what is in this dossier.

The first page relates the volume of investment to the physical volume of production in Canada; the second page measures the rate at which the physical volume of production is increasing in Canada. The third page shows in detail the sources of savings for investment in Canada. This detail has interesting aspects.

On the next following page, and in parallel, I have quoted the statistics of investment in Canada.

Returning to the sources of saving, I have analyzed with some care what was done with corporate profits in this period, both before dividends were distributed by corporations, and after payment of dividends to shareholders.

Members of the committee will note that I have compared consistently two periods of three years each: 1927, 1928 and 1929, with 1948, 1949 and 1950.

The reason for choosing those two periods does not need much elaboration. If we want to compare our present state under conditions of full employment with the past, and for this purpose to compare like with like, we must look to some period in the past, when we had full employment.

Every person here can recall those times, from 1927 to 1929. Our economy was then somewhat more free than it is today. Our citizens were then somewhat less heavily taxed than they are today. But basically speaking, in those years any man who wanted a job could easily pick up a job; nobody lacked work except those who declined to look for it.

Not in respect of our freedoms or the burden of taxation, but in respect of the plentifulness of jobs in each of these two periods, we now find ourselves comparing like with like.

In each case I take an average of three years instead of a single year, because no matter how long we search, we never can find one year that is really typical. But if you take an average of three full employment years in the 'twenties, and an average of three full employment years in the 'forties you do get a comparable data. By measuring certain differences between these periods you can learn something useful about what happened during the twenty-one intervening years.

The CHAIRMAN: May I interject a question there? You use the term "constant dollars" on the first page. Could you enlighten the committee as to what you mean by constant dollars, and its application here?

Mr. JACKSON: I make use of that expression, sir, because it has come to be very common in these days. What it means is that in these tables the figures for any given year, which were first reported to the Dominion Bureau of Statistics in dollars of that year, have been recalculated in terms of the value of the dollar during the five years 1935-1939.

Hon. Mr. EULER: Do you mean that the dollar would purchase the same quantity of goods.

Mr. JACKSON: The dollar of 1927-29 was not the same as the dollar of 1948-1950; it was a much heavier dollar.

Hon. Mr. EULER: In other words "constant" in one case does not mean the same as it does in the other?

Mr. JACKSON: Yes; the word "constant" means the same all the time. What I have done is to take the figures for the period 1927-29, and the figures for 1948-50: and to recalculate them all in terms of 1935-39 dollars.

Hon. Mr. EULER: But it wouldn't mean the same in terms of purchasing power?

Mr. JACKSON: Yes; I mean in terms of purchasing power.

Hon. Mr. EULER: That is, the dollar of 1948-50, as you have it there, would purchase the same as the dollar in 1927-29?

Mr. JACKSON: No. Because I wish to compare like with like, I recalculate all the 1927-29 figures in terms of 1935-39 dollars, and I recalculate all the 1948-50 figures in terms of 1935-39 dollars, too.

Hon. Mr. HAIG: That is clear.

The CHAIRMAN: If I may be excused just to make a point; this is important. The gross product of last year, in terms of current dollars, was \$21 billion odd. What would that be in terms of constant dollars, approximately \$10 billion?

Mr. JACKSON: I speak from memory, my memory says it is about \$10,800,000,000. That figure cannot be very far wrong.

The CHAIRMAN: That illustrates the effect of inflation in the value of the total product.

Mr. JACKSON: Have I made my point sufficiently clear, gentlemen?

Hon. Mr. HAIG: That is clear.

Mr. JACKSON: Hereafter, "constant dollars" are dollars of 1935-39, with which I have remeasured a lot of things in these two periods.

I draw to your attention that in the twenty-one years between the mid points of these two periods, we Canadians produced almost exactly \$141,000 millions worth of goods and services; and in those twenty-one years we made an investment for the purpose of maintaining and expanding our capacity to produce, in terms of the same dollars, to the value of \$21,000 millions, and a little more.

Our aggregate investment in Canada, during those twenty-one years, was 15 per cent of our aggregate production. In other words, we saved or borrowed and invested an amount equal to 15 per cent of our gross national product, during the generation to which we now look.

In the result, we very much increased the volume of our production. Again in constant dollars, during the three full employment years 1948-50, we had an average gross national product of \$9,785 millions annually. This figure should be compared with our gross national product, again in constant dollars, during the three full employment years in the 'twenties, of \$5,198 millions. That is to say, during those twenty-one years we raised the size of our gross national product by no less than \$4,587 millions of constant dollars.

Hon. Mr. BURCHILL: May I ask a question? That 15 per cent aggregate investment as percentage of aggregate production, is that an annual average or is it taken over the whole period?

Mr. JACKSON: Taken over the whole period.

Hon. Mr. BURCHILL: So that the 15 per cent is the total amount in the whole period?

Mr. JACKSON: In the twenty-one years we produced roughly \$141 billion of goods and services. We invested roughly \$21,200 million.

Hon. Mr. HAIG: It would be 15 per cent a year.

Mr. JACKSON: It would be more in one year and less in another. But in the period as a whole we did invest an amount equal to 15 per cent of our production of everything.

Hon. Mr. REID: I think you used the figure "\$4,587,000". I think you meant "\$4,587 millions".

Mr. JACKSON: I should have said \$4,587 millions. If I should err again like this, I hope I may be corrected again, for the sake of the record.

The CHAIRMAN: May I suggest here that we let Mr. Jackson finish his statement, and then ask questions, as we have done in the past?

Hon. Mr. HAIG: There is only one thing about that. I agree entirely, except that Mr. Burchill's question was absolutely right on the point; it cleared up any misunderstanding of the terms he was using.

Mr. JACKSON: I would like where I am not clear, to be interrupted,—which is not the same as arguing a point.

Hon. Mr. HAIG: I do not think we should ask him general questions, but a clarifying question is generally helpful to some of us, because we are not experts.

Mr. JACKSON: This witness is going to be helped by being interrupted.

Now let me call attention to the relationship between aggregate investment during this period and aggregate increase in the physical volume of our production per annum. For each dollar of increase in our gross national product, we made an investment of roughly \$5.

The precise figure here is \$4.62 of investment, for each \$1 of increased income. It will be slightly different next year, because these conscientious fellows in the Dominion Bureau of Statistics strive all the time for perfection and constantly revise their own figures to make them still more accurate. We know nevertheless in round terms that we must invest about \$5 in this country now, to raise the physical volume of our production by \$1.

I note at this point that if we Canadians are going to invest \$5 this year, in order to raise our output next year by \$1, somebody has got to save that \$5.

That task, of saving the \$5, seems to me just about as important as any that waits now to be performed in the Dominion of Canada.

In terms of the figures here, if an amount equal to 15 per cent of our entire production is actually being invested; and if it takes an investment of \$5 to produce an additional \$1 of income; then one would suppose that the current annual rate of increase in Canada's physical volume of production would be just about one-fifth of 15 per cent, in other words 3 per cent. In fact, the recorded increase in our physical volume of production during this period, by \$4,587 millions of constant dollars, at which we have just been looking, does correspond with an average annual increase in the physical volume of production (shown at the bottom of my second page) of a trifle more than 3 per cent per annum—3.06 per cent per annum—during this period.

Sir, so far as anybody now knows that figure is a world's record, in the past as well as in the present.

During the twenty-one years between our full employment period in the 'twenties and our full employment in the 'forties, we Canadians have seen all kinds of business conditions. There was great prosperity, just before the stock market crash in the Fall of 1929; then the dreadful years of depression; then years of semi-depression, longer still, which characterized the New Deal; then the necessarily regimented economy of wartime, which brought us back to full employment (indeed, beyond the state of activity which most folk think of as full employment); then following the war, we have had five years of violent, and alarming inflation—from which we seem to be getting a brief respite, anyway, just now.

Let us account for this 3 per cent rate of growth in Canada's physical volume of production: we can do this.

We have already noted that between the former of these two periods, and the latter, Canada's gross national product (measured in constant dollars) increased from \$5,198 millions to \$9,785 millions, per annum. This country's population averaged in the former period, nearly 9,834,000 persons; in the latter period, rather more than 13,425,000 persons. The physical volume of production per head per annum was (again, in terms of constant dollars): during the former period, \$528; during the latter period, \$729. Average annual rates of increase, compounded, were thus:

in the physical volume of production, overall.. 3.06 p. c. per year
 in the numbers of the population..... 1.49 p. c. per year
 in the physical volume of production, per head 1.54 p. c. per year

These figures relating to Canada could almost be duplicated in the States. The population of that country grew substantially more slowly, during the period reviewed, than our own country's population; but the physical volume of production per head grew just as fast (maybe, slightly faster) south of the Border, than in this country.

The rate of increase, in the size of our neighbours' gross national product, was somewhat less than the 3.06 per cent which we have taken as the measured, annual average rate for Canada, during those twenty-one years: but there was not much difference between the rates in the respective countries.

As well, during this period there was a substantial, and widespread increase of leisure. The work week was shortened for everyone (this time, I believe, for farmers as well as for city dwellers): so that in the late 'forties we were not only producing more per head per annum, than we had been able to produce in the late 'twenties; furthermore, we quit work earlier; took more days off; and spent more time on our vacations.

Thus, a measured increase in the physical volume of production by Canadians, per head per annum, of 1.54 per cent, connotes a substantially greater increase in their physical volume of production per man hour. There is no means of measuring with precision this latter rate: but clearly, the physical volume of output per man hour must have increased, during these twenty-one years, at a rate close to 2 per cent per annum.

As can easily be seen, we took part of the benefits of economic progress (perhaps one-fifth, perhaps rather more than that) in the form of leisure: we took in the form of material benefits, by far the greater part.

I fear lest you may feel, this is tedious. Nevertheless, I submit, we must look at the past from this angle, before we can assess, in the present, what is likely to confront us in the future.

In the past, experiencing the bewildering changes of business at which we glanced not many moments ago—despite crisis, depression, mobilization, armed conflict and inflation—we produced on an average 3 per cent more, of goods and services each year, than we had produced in the preceding year.

So far as is known, nothing equal to that was done elsewhere than in North America, during the past generation; nothing equal to that has been done in the world in any previous generation, not even on the North American continent.

We now stand on the threshold of a period in which (if we conduct ourselves wisely) we shall develop resources in British Columbia, Alberta—one could in this connection, list most of our provinces going eastward, and end up in that incredible land of Labrador. I say that we shall develop resources which surpass all imagination: we shall apply to them new technologies which, to persons of my humdrum vintage, still appear fantastic.

Most members of this committee know more about these resources and what is being done about them, than I do. Nevertheless it may suit the committee's purpose, to receive a brief statistical picture of what is involved in, what is actually being brought about, by this development.

Hon. Mr. LAMBERT: Just before Mr. Jackson goes on with that, and following the statement he has just made about the great spectacle that has been presented by Canada, I think it is very appropriate to refer to the summary that he has outlined on, I think, page 3. It is entitled "What was done with corporate profit". At the foot of the page he refers to the personal income of Canadians, and if I read these figures correctly and interpret them correctly, it really means the people of this country are much better off than they were ever before.

Mr. JACKSON: There is no question at all about that.

Hon. Mr. LAMBERT: Well, that is a very important point. "Paid in direct taxes, 1927-29, 1.37 per cent". In 1951 they paid 6.42 per cent. On the other hand, under the heading "Saved and invested, 1927-29" we find 6.54 per cent, but today they are saving and investing 11 per cent of their income. This is very important from the point of view of our quest in connection with this whole inquiry. If the amount that people are saving and investing has practically doubled, then we are just that much better off than we ever were. The whole thing upsets the point of view that we have been trying to develop here. If you have more money you can afford to pay more taxes, so why grouch about it?

Mr. JACKSON: I should not like to be represented as having been "grouching about it" so far, at any rate.

Hon. Mr. McDONALD: It is very satisfying knowledge.

Hon. Mr. LAMBERT: It is a point of view which I think needs to be considered, whether we agree with it or not. It needs to be considered in the light of what we are trying to do here. I did not mean to interrupt you.

Hon. Mr. HAIG: I think Mr. Jackson should be allowed to finish his story.

Hon. Mr. REID: That was the understanding.

Mr. JACKSON: I did not come here to suggest that all of us are getting better and better off, because we pay more and more taxes. But I rejoice that Senator Lambert put his finger on that 11 per cent, which at first sight does look encouraging. If he will permit me to deal with the subject at more length later in the day, because it is an enormously important thing—

Hon. Mr. LAMBERT: Yes, certainly. It certainly struck me as being important.

Mr. JACKSON: Let me summarise a few figures at this point, which really deserve to be discussed in much more detail. I should like the Senator now to look at three figures in particular, which lie side by side on the page in front of him: that is, the percentages of the personal incomes of Canadians which, on an average, have been saved and invested, annually—first, from 1927-29; secondly, from 1948-50; third, in 1951.

These are: in the first named period, 6.54 per cent; in the second named period, 7.53 per cent; and in the single year 1951, 11.00 per cent.

Thus in the late 'forties, Canadians were managing to save about 1 per cent more of their personal incomes on an average, than they managed to save in the late 'twenties. Their individual incomes represented a much larger purchasing power in the late 'forties than in the late 'twenties. They were living better in the late 'forties, than ever before. Naturally, they then managed without undue difficulty to save somewhat more out of their current incomes, than they had been able to save under earlier, less easy conditions.

Thus far, I concur with Senator Lambert: but not—most emphatically not—in respect of 1951.

In that year, came the dramatic increase in the percentage of personal savings to the total of personal incomes, which has been cited by Senator Lambert. I suggest that much of this latest increase, from 7.53 per cent to 11.00 per cent was not voluntary: that it should not be regarded as normal, or as evidence of increased prosperity; but that it actually reflects (in addition to the voluntary savings of Canadians, which they would have made, in any case) additional savings enforced on them in 1951: by government—and by the men in charge of Canada's credit system.

When I point to the fact of enforced saving last year, on a large scale, I do not question its propriety: though there is in fact, widespread dissatisfaction throughout this Dominion because of it—as members of this committee do not need to be told.

I did not come here to talk politics: and of course, the committee does not wish me to do so.

But it will be recalled that the government collected last year, a great surplus of revenue. Much of this was devoted to reduction of the public debt. In other words, more taxes were required of me, than it would have been necessary to collect, merely to defray the current expenses of government.

If (as was the fact) I paid out of my current income the tax levied last year, some part of which was used to reduce debt, then statistically speaking, that part of the tax paid by me, which was used for the reduction of debt, represents an enforced saving which I was obliged to make, over and above any saving which I made voluntarily.

This additional saving, which was enforced on us and our fellow tax-payers, is in a large measure responsible for the sharp contrast between the 1948-50 figure, 7.53 per cent, and the 1951 figure, 11.00 per cent, to which Senator Lambert has drawn attention.

Hon. Mr. EULER: And that is abnormal?

Mr. JACKSON: Yes, that is, or rather was abnormal—because it was enforced. But there is another item of which (I suspect) we should also take account.

Not I, but some other person hoping to get himself a new car in 1951 (and intending to borrow much of the cost of that new car) discovered one morning—(a) that he could not have the car; and (b) that he would be compelled to pay, faster than it had been his intention to pay, some other debt contracted in the purchase of something else.

The same thing occurred in the States, as occurred in Canada. Credit restrictions limited borrowing, hastened the repayment of existing debt. Statistically speaking, such restrictions also produce an enforced saving. In the result our neighbours, just like ourselves, saved more during 1951, than they had ever saved before—perhaps more than any people had saved out of their personal incomes, ever before. No doubt they would have saved voluntarily quite a large proportion of what they did actually save. It is a fact, nevertheless, that the credit restrictions which were applied in both of these North American countries, more or less simultaneously, coupled with collection by the Canadian government of a large surplus used for the reduction of debt, enforced a lot of saving on all of us, additional to the quite substantial savings which we would have made, anyway.

So much for this 11.00 per cent, to which Senator Lambert draws attention. One needs to know the background circumstances which account for such a figure, in order that one may not be misled when one comes across it.

I should like now to return upon the subject with which I was dealing before Senator Lambert raised this issue.

That subject was the very rapid rate at which we North Americans (and especially, we Canadians) have been expanding our economy during the past generation.

Some folk no doubt are not at all impressed when one describes that rate as being 3 per cent per annum. But when one realises that an economy which is expanding at the rate of 3 per cent per annum, compounded, doubles in size—doubles the physical volume of its output—within the space of about twenty-three years, one cannot but regard this as a remarkable achievement.

We have seen already that this annual rate of expansion of 3 per cent, is accounted for partly by the rate of population growth, about $1\frac{1}{2}$ per cent per annum during the past generation: partly by growth in the physical volume of production per man year, of about $1\frac{1}{2}$ per cent per annum, during the same period.

Does this mean that we should look forward to maintaining the same pace of development?—that during the next generation, we should achieve, if we can, a 3 per cent annual increase?—and that if we succeed in this, we may then “rest on our oars”?

Gentlemen, I suggest that we cannot be satisfied in the next generation, merely by repeating our achievement in the last generation: in other words, that having (as I believe we did) beaten the world's record during the period under review, we now can be satisfied with nothing less than in the generation immediately before us, beating our own record. I believe we should not be satisfied with less than a 4 per cent annual rate of expansion.

Something has been happening to this Dominion lately, which is of enormous importance. Canadians in large numbers have decided confidently to raise large families. We need only look around us in order to verify that. Children throng our playgrounds and streets in much greater numbers than they did before 1939. Schools are being enlarged. Among our most active industries are those which cater to the babies' needs—there is a brisk demand for cots.

The rate of population increase in this Dominion is now something like 50 per cent more rapid than it was in the generation at which we have been looking. Whereas then it was fifteen per thousand, or thereabouts, it is now more like twenty-three per thousand, per annum.

We do not know that this rate of increase will be maintained indefinitely. But we should face the possibility that it may be maintained during the next generation. I personally hope that it will be: that our people will retain the confidence in themselves and their future, which they now possess.

Hon. Mr. LAMBERT: Don't overlook Mr. Paul Martin.

An Hon. SENATOR: Oh?

Hon. Mr. LAMBERT: Well, social welfare and so on have a lot to do with this.

Mr. JACKSON: I take the point, sir. But even those who pay for their own baby bonuses seem to be raising families as large, as those who have the bonuses paid to them.

Suppose that our population does increase at the rate of twenty-three per thousand per annum, during the next generation.

Suppose that we continue to raise the living standards of individuals as fast, during the next generation, as we did raise them during the last generation. We shall not succeed in doing this merely by maintaining the world record of 3 per cent expansion, on an average, in the physical volume of our output per annum. That will be less than enough.

In order to maintain the recent rate of improvement in Canadian living standards, and as well, to take care of the present rate of increase in the

numbers of our population (supposing that this rate of increase does persist into the future), henceforth we shall need to make the physical volume of our country's output grow by something like 4 per cent per annum, instead of 3 per cent.

That 4 per cent is a statistical pill, so to speak. In the briefest possible form, it sums up what is now being attempted in British Columbia, Alberta, and all those other rich provinces of ours down to the tremendous development of ore, and power resources, just beginning in Labrador. This immense panorama, which any man—as he flies across this country—can view for himself, dramatizes the possible rate of 4 per cent in terms of which (I believe) we must calculate from henceforth.

This means, in future, the doubling of the physical volume of this country's output, not at the rate of once in twenty-three years, but at the rate of once in seventeen or eighteen years.

So far as is known, there never was the like of this before. We can achieve it; but only by fulfilling certain necessary conditions.

Sir, I should apologize now for this long monologue. It is nearly finished.

The first of the necessary conditions to which I direct attention is that somebody shall save and invest \$5 now, for each \$1 which we must thus add to next year's output.

In the generation just ended, we saved and invested about 15 per cent of all that we produced; and thus achieved this 3 per cent per annum rate of interest in our gross national product—in which perhaps, we may properly take some pride: for we have thus been enabled to serve our fellow men overseas, on no small scale—as we could not otherwise have done. If, in the generation which now lies ahead of us, we do succeed in encompassing a 4 per cent annual rate of interest in our gross national product, we must of course ensure (as a necessary condition of this) that some Canadians shall somehow save, between them, an amount equal to not 15 per cent, but 20 per cent of our gross national product—and invest it.

If, bringing to bear on our problems the necessary judgment and courage, we can invest on this scale (we know that the resources are there, we possess the necessary know-how, there is no people more energetic than ours) we can double the physical volume of our output in the next seventeen or eighteen years.

The CHAIRMAN: Just there may I interject a question? To what degree is that dependent on our ability to find the markets for our products, and where should those markets be?

Mr. JACKSON: That is, of course, the first question which comes to mind. I can only say, markets are where you can find them—the search is unending. But my point is, at the moment: one of the necessary conditions to be made, before we can succeed, is that somehow some of us shall save on a tremendous scale, commensurate with such an accelerated development.

Hon. Mr. ISNOR: Are you going to develop that thought about our resources further?

Mr. JACKSON: Yes, I hope that in subsequent questioning, I shall be made to say several things which I might miss out, otherwise.

Hon. Mr. ISNOR: I thought, when you started and were interrupted by Senator Lambert, that you were going from the west as far as Labrador and—

Mr. JACKSON: I need not paint word pictures of the resources of Canada, before such a group as this, whose members know this country's resources much more intimately than I do. My purpose has been, instead, to picture in figures, this tremendous development, with which every man in this room has familiarized himself at one time or another: to see what conditions we

must meet in order that henceforth we may double the physical volume of our output not (as in recent experience) at the rate of once in twenty-three years, but at the rate of once in seventeen or eighteen years—so that we can adequately look after millions of Canadians, not yet born, and at the same time continue the rate of improvement in Canadian living standards, to which we have been accustomed during the past generation.

Hon. Mr. LAMBERT: May I interject a thought at this point? This development that you have pictured that is now going on and which has doubled over the last generation, is dependent to a very large extent on our ability to sell or distribute this product somewhere outside of our country.

Mr. JACKSON: That, I suppose, is just what the Chairman has in mind.

Hon. Mr. LAMBERT: I would think that there is a limit on that picture as to the extent to which we can—

Hon. Mr. HAIG: I do not like to interrupt Senator Lambert, but I thought we had an agreement at the start that only such questions as Senator Burchill asked would be asked.

Hon. Mr. LAMBERT: I would like to follow out Senator Haig's suggestion, but the witness has just said that he would like to have questions put to him, and I am paying a little more attention to him than I am to Senator Haig.

The CHAIRMAN: Order.

Hon. Mr. HAIG: Now Mr. Chairman, that is not so. He did not say that. We agreed that we would not ask questions, except such as Senator Burchill has asked. Senator Lambert has made three or four statements and has asked questions and the rest of us had to sit here until he had succeeded in side-tracking the speaker from his line of thought. Why not let him finish his story, and then Senator Lambert can ask questions for the next seven hours, if he wants to. But if he is going to ask questions, now, then I am going to ask questions.

The CHAIRMAN: Let Mr. Jackson proceed.

Mr. JACKSON: You raised your question about markets, Mr. Chairman, just as I thought I was completing this monologue. I did not purpose to do more than paint a statistical picture: thank you for permitting me to do this.

I will now deal as best I can with questions from all sides: and if the committee thinks fit, will take up first this question about markets.

The CHAIRMAN: If that is your wish, Mr. Jackson, we can now have questions. I do not think that it is desirable this morning to go around the table, as we have done in the past; however, I will lay down this condition, that when one senator is asking questions that he remain uninterrupted until he has completed his questioning. Something he may say may stimulate a question in another direction.

Hon. Mr. ASELTINE: Mr. Chairman, why not have Mr. Jackson deal with the rest of his brief first?

The CHAIRMAN: He has just said that he has covered the first two pages in his statement. I understood you to say that you thought we could make better progress now if questions were asked.

Mr. JACKSON: My hope was first to describe and discuss the statistics which I bring with me this morning—then to leave members of the committee to raise what are, in their view, the relevant questions.

Hon. Mr. EULER: Mr. Chairman, how are you going to decide on the priority of those who want to ask questions, if you are not going to go around the table as you did before? Is it whoever gets the floor first?

The CHAIRMAN: Yes.

Hon. Mr. McDONALD: How often is he to have the floor? Is he to have the floor only at one time; that is, he cannot repeat?

The CHAIRMAN: When one senator is asking questions he will be permitted to finish asking his questions before someone else breaks in. I asked Mr. Jackson a moment ago a question which to me appears a very pertinent one, though I may be wrong. Mr. Jackson sketched with clarity what might happen to our economy in the next twenty years if we continued the development of it that has occurred in the last twenty years. My question was, to what extent is that dependent upon our ability to find markets for what the Canadian people produce from their natural resources and the labour applied thereto?

Hon. Mr. GOLDING: Mr. Chairman, I would suggest that the Leader of the Opposition in the Senate be allowed to question first.

Hon. Mr. EULER: The Chairman is first.

The CHAIRMAN: I claim the right to ask the first question.

Mr. JACKSON: Canada's markets were subject to great disturbance during the whole of the period about which we have been talking today. One might, in retrospect, think it a miracle that Canada's output has grown as it undoubtedly did grow during those years.

Overseas, there has been a great shrinkage in the demand for our food-stuffs—a substantial shrinkage, for some of our industrial raw materials, too.

Most of us feared, when the shooting stopped in 1945, lest this condition would handicap greatly the growth of Canada. We did not then realize how fast the market alongside us, for Canadian products in the States, was going to grow.

The combined influence on us, of both these changes, is that we now sell more goods abroad, than ever we did before; but we do not send these goods to the same places, and in the same proportions as in past time.

We find ourselves nowadays with far more eggs in one basket than ever before: this is not a very safe condition. By and large, we sell much more to the people of the States than ever we dreamed of being able to sell them: their eagerness to buy from us has more than made up for our failure to sell on an adequate scale, to those customers of ours, overseas, whom we value so greatly.

Meanwhile, let us note that because this new condition came about gradually, there has also been going on a gradual process of adaptation, in Canada, to the shifting of demand among our markets abroad. We thus have become somewhat less dependent on markets overseas, for our primary products, than we were. We still value, still need those markets overseas. But we depend on them, today, much less than we did, a generation ago.

Hon. Mr. EULER: We are getting a little more in the position of the United States, which absorbs its own production.

Mr. JACKSON: Somewhat—but of course, we still sell abroad an enormous proportion of our output. This shift in the relative importance of our markets abroad still is in progress. Our market in the States thus is daily becoming still more important, in relation to the markets overseas for Canadian products, than it has lately been—or than it ever was before.

The CHAIRMAN: Will that continue?

Hon. Mr. EULER: It depends on the next election.

Mr. JACKSON: In a world half hypnotised by the threat of atom bombing, no person is likely to dogmatise. But if none of these bombs do fall on us: and if we North Americans on either side the border possess the necessary wisdom, fulfil the necessary conditions—we then can assume that the market in the States, for most of the goods we sell them, will continue to grow fast.

The CHAIRMAN: How does the economy of the United States and Canada combined compare with the rest of the world?

Mr. JACKSON: The people in the States today produce, and consume, just about as much as the rest of mankind, taken together.

The CHAIRMAN: That is a very important statement.

Hon. Mr. EULER: Perhaps this follows upon what the Chairman asked. But is not the growth of our production and our expansion from 3 to 4 per cent, as you anticipate, with the improvement in our standards of living, not dependent upon this, that we do not go into another war?

Mr. JACKSON: Oh, yes. My last answer rests on the supposition that the bombs we have in mind will be stored, not dropped on us.

Hon. Mr. ASELTINE: What effect would the falling off of the present terrific defence expenditure have on your prediction?

Mr. JACKSON: What happens then will depend on us. Ten years ago the question was being asked. What will happen when the tremendous war expenditures of our Government, having reached the peak planned for them in 1944, fall off?—Will not that put business in a tailspin?

Too many Canadians assumed that because there was a deflation after World War I, therefore deflation must also come after World War II.

To my mind, there was no good reason, then, to think so. Those who did draw that conclusion lived to see just the reverse. Over them was looming, while they debated among themselves, not the deflation which they feared, and anticipated—but instead, a strong inflation.

Hon. Mr. ASELTINE: This cold war had something to do with that.

Mr. JACKSON: Something, yes; but the post-war inflation preceded what we now call the "cold war".

Hon. Mr. EULER: Professor Jackson, you said a while ago in reviewing the varying conditions we have had in the last twenty years, that we had prosperity before the great depression, which was very bad, then we had a condition of gradual increasing prosperity, and finally we had the five years of what is called inflation. Then you spoke of what you called a brief respite from that. Should we infer from your statement that this respite will cease and we will go back to an inflationary period?

Mr. JACKSON: I said "we may find it is just a respite". I made no positive prophecy. But I did suggest that the relief from the strains of inflation, which we now feel, may not last long.

Hon. Mr. EULER: And then we shall have a period of inflation following that?

Mr. JACKSON: I believe that we should envisage, as being eminently possible, another inflation. I mean, another substantial inflation—like that of the forties.

Hon. Mr. EULER: Our exports are now largely to the United States. I am not talking politics, but do you not think it would play havoc if after an election in the United States the high tariff party were to come into office and substantially shut off our United States markets by higher tariffs.

Mr. JACKSON: We should be sorry for that.

Hon. Mr. EULER: If that happened it would be very serious.

Mr. JACKSON: Yes.

Hon. Mr. ISNOR: Mr. Jackson, I was interested in following you when you were dealing with the question of past and present markets. I am wondering if we could look forward to greater markets for Canadian products if the living standards in India and China are raised?

Mr. JACKSON: Till now, sir, we have been thinking in terms of our own country. There, we know that before we can increase our output by \$1, somebody must save and invest \$5. We know too that in this country we can save and invest on a scale equal to not less than 20 per cent of our gross national product. We know that what we talk about, is actually possible.

But when you talk about raising Chinese and Indian living standards, that is another thing. There must be some ratio—not necessarily \$5 to \$1, but some such figure—between the necessary scale of investment by Chinese or Indians, in order to bring about a given improvement in their living standards, and that improvement.

Among both of these peoples, the capacity to save is infinitesimally small. Therefore, their capacity to provide themselves with modern machines, to make use of up-to-date technology must be very small—unless someone else, who can and does save on a tremendous scale, either gives them or lends them the required financial resources.

Without express provision of these resources, the Chinese and Indians cannot have their living standards raised, as you suggest.

I myself should like in this connection to repeat a statement which, alas, I cannot validate from memory. The London *Economist*, discussing India some months ago stated (as if this were an acknowledged fact, which no person with the necessary background of knowledge is likely to challenge), that during the first half of the twentieth century—that is, roughly, since 1900—the living standards of Indian peasants have been going down. That is, in a material sense, the best India was Kipling's India. Food consumption per head is less in India, today, than even the low consumption of the ryots whom Kipling described.

Hon. Mr. EULER: How about China?

Mr. JACKSON: Whether or not the London *Economist* thus described India correctly, there can be no doubt in the case of China. Four decades of revolution there (during which, perhaps 50 millions of persons have died by disease and starvation, miserably) must have lowered China's living standards.

Hon. Mr. ISNOR: I based my question on two factors, namely, your \$5 investment and a return of 20 per cent, and also on the fact that we just recently had representatives from China and Japan take up residence in Ottawa and express the hope that Canada would be able to do a greater amount of business with their respective countries. Notwithstanding what you say—of course, your knowledge as to the standards of living in those countries would be ever so much greater than mine—I still feel there is a very large potential market there. With these two factors in mind, do you still feel that we have not got a possible market in those countries for much of our goods?

Mr. JACKSON: Japan is another case. There is an industrialized country, there is a thrifty people which builds for the future, which economizes today for the sake of a better tomorrow, just as we do.

But Sir, in respect of these other countries (India, which I do know something of at first hand; China, which I now may never see—but about which all of us know something), there is no prospect within the limits of our vision, looking ahead into the future, that the living standards of their peoples can rise to such a level, as would enable these countries to become what we today describe as "large markets".

I do not deny that some Canadian firms may sell their products on a large scale, at least in India. But our concern is not with individual firms, it is with the Canadian economy.

From the standpoint of our national economy, there is no likelihood of large markets being found for us, in either of these tragically situated Asiatic countries.

Hon. Mr. EULER: Would you say the same of Russia? Times change, and one never can say definitely what might happen. We might resume trade with Russia at some time?

Mr. JACKSON: There is a country, there is a régime dedicated to the destruction of this and all the still free nations. I do not like putting on a prophet's mantle. But if we can be sure of any one thing it is that in our lifetime, Russia will not in any constructive sense become a market for Canadian goods.

The CHAIRMAN: I think some members are a little modest about asking questions. Shall we go around the table in order? Have you any questions, Senator Ross?

Hon. Mr. ROSS: No. I am enjoying it all.

The CHAIRMAN: Senator King?

Hon. Mr. KING: No, thank you, Mr. Chairman.

The CHAIRMAN: Senator Taylor?

Hon. Mr. TAYLOR: I was interested, Mr. Jackson, in your statement on this country's achievements and prospects, and on the increase in population, both through larger families and immigration, and I wondered whether you could tell us what percentage of our output would be consumed by that increased population in the next twenty years. You were talking about our export markets, but I should like to know what size of a market for our own goods will be created by that increased population.

Mr. JACKSON: Our markets abroad, Sir, will doubtless take off our hands the surplus output of certain industries. But we should not think of them as taking the surplus output of Canada. Strictly speaking, we sell some of our goods abroad so that we may get back from other lands things which we do not ourselves produce—or things which we can ourselves produce but not cheaply.

Suppose that our own population continues at the present rate of increase, of about 23 per thousand per annum, then it is going to double at the rate of once in 30 years.

Bear in mind, I do not prophesy that this will happen. I do say that if our present rate of population growth continues, we shall double it within the next three decades.

Hon. Mr. TAYLOR: And if a high standard of living prevails that will mean an increased consumption of our own products?

Mr. JACKSON: More and improved equipment, diversified production and the methodical development of those incredible resources which it is the task of the next generation of Canadians to develop mean, of course, a much increased production of wealth, a much increased consumption of wealth, and a correspondingly better standard of living than before. But fundamentally, this prospective increase in all our incomes will depend on our success as producers. Everybody knows that our national income is limited by what we can produce. No writing of figures in a book—no printing of figures on pieces of paper can increase the "real" income of Canadians, in the least.

The CHAIRMAN: Before I call on Senator Fafard, may I ask you one question? You said that at the present rate of increase Canada's population would double in the next 30 years. Is that also true of the population of the United States?

Mr. JACKSON: No, sir.

The CHAIRMAN: What estimate would you make as to that country?

Mr. JACKSON: I should not like to guess as to that Sir, because it is some time since I looked at the population record in the States.

The CHAIRMAN: Senator Fafard?

Hon. Mr. FAFARD: No questions.

Hon. Mr. BARBOUR: It seems to me that the continuation of our prosperity depends on our saving of money and investing it in Canada.

Mr. JACKSON: Yes, Sir.

The CHAIRMAN: Senator Baird?

Hon. Mr. BAIRD: I am rather perturbed by the way in which our prosperity is bound up with that of the United States. If the United States remains prosperous, we should remain prosperous. But the present economy of the United States has been built up to a degree through the supplying of goods to foreign countries whose potential was greatly reduced by the war. Now, when those countries themselves become self-sufficient or at any rate large producers, will the United States economy not decline? And if it does, will that not reflect materially on ours?

Mr. JACKSON: But surely, Sir, nobody was ever impoverished by having prosperous customers.

Most of our problems today stem from the fact that customers of ours abroad, whom we cherish, are today far from prosperous.

Hon. Mr. BAIRD: Our best customer is the United States, and what I am afraid of is that that country will become less prosperous than it now is.

Mr. JACKSON: Your suggestion was, I think, that as and when European countries become more prosperous, they will need less of the characteristic exports of Uncle Sam. Did I follow you correctly, Sir?

Hon. Mr. BAIRD: Yes, that they would need less of the exports from the United States and less from Canada also.

Mr. JACKSON: I take for granted that if and when Europeans again become prosperous they will do more business with North America, than they do now.

Hon. Mr. BAIRD: Well, what would happen if they become able to stand on their own feet and no longer require goods from North America?

Mr. JACKSON: But with respect, Sir, I myself "stand on my own feet". That is why Messrs. Eaton and Loblaw think me quite a good customer.

Hon. Mr. BAIRD: Yes, but you are referring to an internal condition. I am speaking of export markets. If these countries become self sufficient our export business will decline—not only our business with them, but our business with the United States.

Mr. JACKSON: These European countries, virtually without exception, are so far from being self-sufficient that in order to keep them in business at all, we North Americans have even been giving them exports, which they could not pay for.

Hon. Mr. BAIRD: Quite, and that has undoubtedly increased our output and made our people more prosperous. The increase in production has meant more wages and a higher level of prosperity in Canada.

Mr. JACKSON: This procedure, by keeping our export industries busy, kept our business, so to speak, "in balance". But (I submit) in assembling, and assessing the causes of our present prosperity, one should recognize as first among them, the saving and investing, unmatched anywhere else, which has been going on here; the tremendous energy with which our people have attacked their problems; the know-how which they have brought to the solution of those problems; and last, but by no means least, the tremendous resources now beginning to be developed. With that very definite qualification, I concur that it was a good thing for us to give away some part of our enormous volume of production, during these post-war years.

The CHAIRMAN: Senator Golding?

Hon. Mr. GOLDING: Mr. Chairman, so far as I am concerned, I would like to give any time allotted to me to Senator Haig, the Leader of the Opposition.

The CHAIRMAN: Senator Euler?

Hon. Mr. EULER: As I mentioned before, our continued prosperity seems to be markedly dependent on trade with the United States. One of the parties over there is usually in favour of higher tariffs, and if that party should come into office our position might not be so good as it is now. Is that not so?

Mr. JACKSON: I think we must face the possibility that an increase of isolationist sentiment in the States might narrow some of our opportunities of doing business with that country.

Hon. Mr. REID: Great numbers of our people are deeply perturbed by inflation. In view of your statement that we are in one of the most prosperous periods of our history, I would like to know whether you consider that continued inflation would be good or bad.

Mr. JACKSON: I think that inflation is always bad.

Hon. Mr. REID: And in spite of that, we are in a prosperous state, giving our people more material things in life and they are spending less effort for them.

Mr. JACKSON: What inflation does is redistribute opportunities in a country, without any regard to the merit of the people to whom the cards are dealt.

Our Canadian economy is growing at a tremendous rate, and provided that we fulfil certain conditions, it will continue to do so, whether or not we have inflation.

I myself fear, that we may run into another great inflation not very far hence. That is not a necessary condition of our growth; neither is it going to prevent growth. But, if it occurs, it will add greatly to the strains, which we must undergo during the next few years.

Hon. Mr. REID: In the light of the conditions prevailing, do you think our present high taxation is detrimental, so long as our national product is as it is? That is one of the questions that is bothering us, and I have taken from the nice picture which you have painted this morning, that high taxation is all right as long as we are able to maintain our national production as we are doing now.

Mr. JACKSON: The dangers of high taxation are, first, the possibility that it may destroy the willingness to work; secondly, the possibility that it may destroy the willingness to save.

In respect of the second of these possibilities: I have the precious right to save; or not to save; or even, to dis-save. So has every Canadian. The miracle is that, when all of us are free to disregard the future; to let some other fellow do the saving; nevertheless there are enough of us, saving on a large enough scale (including the plow-back of undistributed profits by corporations, as well as the savings of individuals) to enable this country to develop as it is developing.

Hon. Mr. REID: The reason I had for putting the question was that I have before me a copy of the *Financial Post*, and I was intrigued by the figures as to company profits in the light of high taxation. It is pointed out that tax increases in one year amounted to 48.1 per cent, and in spite of that profits increased 4.3 per cent. I suppose that is made possible by the increase in cost of goods, and all the people are paying for it.

Hon. Mr. GOLDING: Does the article say how much the volume of business increased at the same time?

Hon. Mr. REID: The balance is left for dividends and re-investment in the business. One would think, without making a study of it, that with the high taxation there would be little left, but the profits have increased too.

Mr. JACKSON: I think this question also comes up. What kind of dollar was the *Financial Post* talking about?

Incomes, taxes, profits and a lot of other things increase. But that is because we measure them nowadays in dollars which tend to become lighter and lighter.

Unless you recalculate your dollars of different dates, and express them as I have done consistently this morning, in terms of some common denominator, you may quite easily base dangerous conclusions on figures such as these.

For this very reason, I should like now to put on the record some other figures which I brought with me this morning. These analyze—both for the period in the 'twenties and for the corresponding period in the 'forties, at which we have been looking—the sources of savings which were being invested in the Dominion.

Our economy was so much larger (and our dollar so much smaller) in the late 'forties, than in the late 'twenties, that we should be concerned less with the statistics of dollars saved under the various headings mentioned, than with the percentages of gross national product, which these various dollar totals represent.

Shall we look at the picture, over-all? Turn if you please, to the third page of the material which I brought here this morning—the first of the long sheets. This is called, "Sources of saving for investment in Canada".

Note that in the 'twenties our aggregate savings, for investment here, were equal to 25 per cent of this country's gross national product. The corresponding figure in the late 'forties, 24 $\frac{3}{4}$ per cent, is almost exactly the same.

When one allows for the growth of our country meanwhile, they reflect the practice of thrift, in each of the two periods, on the same grand scale. These are immense, indeed astonishing figures.

Note please, in this connection, that the category "gross business saving" includes the provision of funds for investment through depreciation accounts—as well as undistributed corporation profits, and the relevant minor items.

I shall return in a moment to the subject of gross business saving.

But first, please note that personal savings equalled just about 5 per cent of the gross national product, in the late 'twenties; and just about 5 $\frac{3}{4}$ per cent in the late 'forties. Here is another illustration of the fact that because Canadians were living better in the late 'forties, than ever before, they managed without undue difficulty then to save more out of their current incomes than they had been able to save, under earlier, less easy conditions. But the difference between 5 per cent and 5 $\frac{3}{4}$ per cent is not great.

Now, back again to gross business saving. Note that over-all, this item was reduced between the late 'twenties and the late 'forties, from rather more than 14 $\frac{1}{2}$ per cent (in the former of these two periods) to just over 12 $\frac{1}{2}$ per cent (in the latter).

Here is a fact of real significance for Canada's future which seems to have been overlooked, so far, by the powers-that-be. But business is every day becoming aware of it more vividly.

The reason for this diminution over-all, in gross business saving, is quite obvious. Depreciation and similar costs were equal to nearly but not quite 11 per cent of the gross national product in the late 'twenties: In the late 'forties, the corresponding figure was not much larger than 8 $\frac{1}{2}$ per cent.

Why did this occur?—and, What does this imply for Canada?

Before the great inflation of the decade from 1941 to 1951 (that is, while the purchasing power of our dollar remained reasonably stable) the collective

wisdom of Canadian business executives led them to set aside, for the maintenance, renewal and extension of plant, an aggregate of sums in their depreciation accounts equal to nearly but not quite one-ninth of our gross national product—that is, of Canada's total output, of goods and services of all kinds. This figure was based on two very simple assumptions.

The first is, that the cost of replacing an item of equipment, when the time comes to discard it, will be not very different from its original cost. The second is, that provision can be made in orderly fashion, annually, during the lifetime of this item of equipment, in accordance with certain standards of practice.

Members of this Committee know that the method of calculating depreciation is laid down for Canadian business by government.

One very disturbing result of the recent inflation is that when we now discard an item of equipment we find that the cost of replacing it is often twice, sometimes even three times its original cost. In other words, arrangements which permitted the setting up of adequate depreciation reserves, prior to 1941, now fail of this purpose.

If in the judgment of Canadian business executives generally, prior to 1941 something like one-ninth of the national productive effort was required for the maintenance, renewal and extension of plant (to be covered by depreciation reserves), it is reasonable to suppose that nowadays, if not exactly the same proportion, at any rate about one-ninth of the national productive effort is still required for this purpose.

But (the method of calculating depreciation being unchanged, and the cost of replacement now so very different) it is today no longer possible for Canadian business to maintain depreciation reserves on anything like that scale.

Canadian business, therefore, is obliged to make up from other sources (in so far as it can) the deficiencies thus created. The natural procedure is, for it to retain and plow back into new means of production some part of corporation profit which might (and indeed, otherwise would) have been paid in form of dividends to shareholders. If today, Canadian corporations were lightly taxed (as was the case twenty-five years ago), this could quite easily be done. But that is no longer the case. In the late 'twenties, Canadian corporations paid on an average $8\frac{1}{2}$ per cent of their profits, to the tax-gatherers. In the late 'forties, the corresponding figure was slightly more than 39 per cent. In 1951, it was slightly more than 51 per cent.

Thus as of today, the Canadian corporation attempting by the retention of profit which would otherwise be distributed among shareholders to make up the deficiency which must appear in this year's depreciation account, as a result of past inflation, will deprive the shareholders of \$1.51 for each \$1.00 thus plowed back, and invested. The 51c, over and above that dollar, are added to the revenues of government.

Canadian business cannot, under such circumstances fully make up the deficiency. Comparing the late 'twenties with the late 'forties, members of this committee can see that undistributed corporation profit amounted to 3.86 per cent of the gross national product in the former period; to 4.27 per cent, in the latter period. That is to say, profits were being plowed back during the latter period on a scale about one-sixth as great, as was necessary to neutralize the decrease, percentage-wise, which appeared in depreciation and similar costs.

Hon. Mr. ISNOR: Why do you put that item of depreciation under savings at all?

Mr. JACKSON: Because it is the largest single source of funds available for investment. On the next page to this, you have the country's investment

account. You can see that, both in the late 'twenties and the late 'forties, we were investing on a scale just less than 25 per cent of the gross national product.

We are discussing now where the funds came from, which were invested here and which made possible our tremendous rate of growth, in recent years. The largest single source of funds was the collective provision, by Canadian business, for depreciation and similar costs.

We now can see that this item has been reduced automatically, because of inflation. That is one reason for my statement, some little time ago, that inflation should be deplored as an unnecessary strain on our economy, no matter what may be the circumstances prompting such inflation.

Hon. Mr. REID: I have just one more question, regarding the cost of living. I notice the cost-of-living index is given as 32.2 per cent and the index of real wages per hour as 57.9 per cent, showing, according to the figures, that wages have increased more than the cost-of-living index. My question is this: have you given any thought or have you any information as to the cost in labour in the 1920 period as compared with the 1948 period in relation to the price of goods? After all, the real guide to the cost of an article is how much labour does a man put into it. I am using a hypothetical figure. Let us say that in 1927 the work of a carpenter for one hour would buy him a certain proportion of goods. Now we come to 1953: how much labour would he require to provide himself with the same article, as compared to the 1927 period? After all, I hold, that is the real test of price,—what labour a man must exert or what time he must put in to buy himself a portion of rent, a suit of clothes, shoes or food. We can talk all we like in dollars, but I have often wondered—

Mr. JACKSON: The figures to which the Senator refers are taken from the records of the Dominion Bureau of Statistics. The wage figures come from their annual reports on wages and hours of labour; the cost-of-living figures, from their annual reports on prices, wholesale and retail.

I have taken, in the first line, their index of money wage rates per hour. This represents earnings in Canadian dollars—not constant dollars. The base figure, 100, represents an average of wage rates in Canada, during the base period used by the Bureau, 1935 to 1939.

In the second line, the retail cost of living is expressed, likewise, in terms what it cost to live during this base period. The second line reflects changes in the purchasing power of an average of hourly wages. It is obtained by dividing each figure in the first line, by the corresponding figure in the second line; and then, multiplying the result by 100.

The fact is that, between the period in the late 'twenties, here studied, and the corresponding period in the late 'forties, money wages per hour rose, on an average in Canada, by slightly more than 110 per cent. Meanwhile, the retail cost-of-living neutralized part of the wage gain. But even after allowing for this rise in the retail cost of living, we can see that during the late 'forties, a representative hour's labour on the part of an "average" Canadian (if indeed, there is any such man), enabled him to buy 58 per cent more of the good things in life, than he could have bought with a corresponding hour of labour, during the late 'twenties.

Hon. Mr. REID: That is very important, because up to now many labour unions have predicated their demands for increased wages and have called strikes on the basis of the rise in the cost of living. It is important to know that wages have increased that much against the cost-of-living index.

Mr. JACKSON: During those twenty-one years the rate at which wages increased was, to the rate at which the cost of living increased, as 10 is to 3. That is the meaning of the figures in front of us.

The growth in the purchasing power of an hourly wage, by 58 per cent, epitomizes the material advancement achieved by labour, during those 21 years considered as a whole.

But we were talking, at an earlier stage in this discussion, of Canada's increasing output, and of our increasing physical volume of production per man-year, and per man-hour, in terms of annual change. We have noted, for example, that our average annual increase in production per man-hour, during the period being reviewed, must have been just about 2 per cent.

What does this record of wage increases between the late 'twenties and the late 'forties, look like, when it is expressed in the same fashion, on a per annum basis?

We find that on an average, the purchasing power of a representative hour's work, on the part of a representative Canadian during this period, increased by slightly more than 2 per cent per annum. (The precise figure indicated by this measurement, is 2.20 per cent). I should like to look again at this rate of increase, Mr. Chairman, when I have answered the Senator's question.

Hon. Mr. REID: That is very important, because up to now many labour unions have predicated their demands for increased wages, and have called strikes on the basis of the rise in the cost of living. It is important to know that wages have increased that much against the cost-of-living index.

Hon. Mr. BAIRD: It is answered.

Mr. JACKSON: Thank you Sir.

The CHAIRMAN: Senator Aseltine?

Hon. Mr. ASELTINE: The questions I intended to ask had to do with the page which has just been explained, and so I will waive any further rights just now.

Mr. JACKSON: If you do not mind, before the questioning resumes, I wish to devote one more moment to this question, about the growth of "real" wages in Canada.

The Senator spoke of certain demands which organized labour is making, for substantial increases in money wages at the present time. We cannot afford to consider such demands otherwise, than by reference to the basic measurements of growth in Canada.

Provided that our production per man-hour increases, on an average, at the rate of 2 per cent per annum, our income per man-hour, reckoned in terms of actual purchasing power, cannot increase faster than that. Our income is no more, and no less than the consumption of what we produce. Therefore, the possible growth of our income is very strictly limited, by the possible growth in our output.

I have just quoted here a figure which measures the recorded average annual rate of increase in "real" wages per man-hour, during the past generation. This figure is 2.20 per cent. It is no mere coincidence that this rate of increase, in "real" wages per man-hour, is almost exactly the same as the rate of increase in our actual output per man-hour. It can be no coincidence—for the very simple reason that you cannot possibly consume a thing, till you produce it.

One member of the Committee, Sir, raised the question some time ago, whether the present time, of slightly "softening" prices, is a mere respite, from an inflation due soon to be resumed, or whether we may now regard this inflation as being ended.

I suggest that the decision, as to this, depends on the leaders of organized labour in Canada, more than it depends on anyone else.

Ten days ago the Minister of Finance spoke at a meeting of the Canadian Manufacturers Association, in Annual Convention assembled. Like all Mr. Abbott's speeches, this one was good and full of meat. I quote him from memory: but I think, with substantial accuracy.

He said that in 1950, there was an average increase of 20 per cent, in money wages paid per Canadian man-hour. He said that in 1951, there was an average increase of 14 per cent, in money wages paid per Canadian man-hour. These very rapid increases have been going on for a long time—sparked and spurred on, of course, by the tremendous inflation of the 'forties.

That inflation was not originally started by the demands of organized labour, for more wages. That inflation was generated by the deficit financing inevitably pursued by Canada's government, during the crucial stages of World War II. The truth is that deficit financing by governments, everywhere, sparked the great inflation of the 'forties. When once the tremendous amounts of money had been pumped into circulation, which such deficit financing required, the subsequent inflation became irresistible.

During those years when, basically because of deficit financing, prices were being forced upward steadily, labour naturally tried to push up wages at least as fast.

It is proper that labour should do this, in an economy like ours. Furthermore, it is proper that labour should expect an increase in wages, faster than the rise in the cost of living by 2 per cent per annum, so long as our average output increases by 2 per cent per annum, but only by 2 per cent. This race between wages and the cost of living lasted so long, that organized labour came to think of it as natural nay, normal. Labour was becoming habituated to demanding and getting, increases in hourly rates of 10, 12, 15, 20 per cent, or even more than that, from year to year.

But what lasting benefit can organized labour gain from such rates of increase?

If all of us push up our incomes by 10 per cent per annum—but if at the same time, we push up our output only by 2 per cent—what does that 8 per cent differential, between increased income and increased output, do?

Since we can consume only what we first produce, the scramble to spend our increased incomes, brought about by this differential, must inevitably raise the prices of goods—to the point at which an increase (in this instance) of 8 per cent, in the cost of living, neatly cancels out—automatically cancels out—the differential between rising incomes and the rising output of goods.

Be kind enough to notice that in the period between the late 'twenties and the late 'forties, when money wages per man-hour in Canada were increased on an average by 110 per cent within twenty-one years (that is, by just about 3.6 per cent per annum, on an average) the cost of living neatly rose in such a manner as to cut off all the benefit of that increase in money wage per man-hour, except the 2 per cent per annum—or thereabout—which we get as a matter of course, collectively, because that is the rate by which the physical volume of our output per man-hour grows.

Therefore I say that if we persist in this upward drive, of wage rates per man-hour, on the scale to which we have now become accustomed, there *must* come another inflation in the nineteen-fifties—perhaps no less violent, and drastic in its influence on folk with fixed incomes, than the great inflation of the nineteen-'forties.

Hon. Mr. HAIG: As it is two minutes to 1 o'clock, I would suggest that the committee adjourn at its convenience.

The CHAIRMAN: I was just going to ask whether it would be convenient for the committee to meet after the Senate rises this afternoon.

Hon. Mr. BEAUBIEN: Just for the information of the committee, I may say that two other committees are meeting after the Senate rises this afternoon. It might not be possible to get a quorum here at that time.

Hon. Mr. HAIG: If Mr. Jackson is to be the witness, there will be a quorum, I can assure you of that.

The CHAIRMAN: What is the wish of the committee?

Hon. Mr. HAIG: I have some questions that I wish to put to Mr. Jackson, and I certainly would like an opportunity to do so.

Hon. Mr. BEAUBIEN: It was, of course, only for purposes of information that I mentioned the meetings of the other committees.

The CHAIRMAN: Yes, we understand that.

Hon. Mr. GOLDING: In what rooms are those other committees meeting?

Hon. Mr. BEAUBIEN: I do not know that.

Hon. Mr. BURCHILL: As Mr. Jackson is here and willing to meet with us this afternoon, I think we should suit his convenience and resume after the Senate rises. I am a member of the Banking and Commerce Committee, which is supposed to meet after the Senate rises, but I would prefer to come here and listen to Mr. Jackson this afternoon.

The CHAIRMAN: I will call for a vote. Will all members who wish the committee to resume after the Senate rises, please raise their hand?

There seems to be an unanimous desire that we resume after the Senate rises this afternoon. I therefore declare the committee adjourned until that time.

At 4.30 p.m. the committee resumed.

The CHAIRMAN: Gentlemen, will you please come to order? I think Mr. Jackson wishes first to make a correction of something that he said this morning.

Mr. JACKSON: I should apologize to the Committee, sir, for making one statement this morning which needs qualification. When I spoke then of the size of the market in the States, compared with the markets of all other countries, I depended on my remembrance of certain documents which emanate from U.N. sources. This noon I got a message from Mr. Merritt, our statistician in Toronto, who says that various of the national income figures assembled in order to make such a comparison cannot be relied on being estimated by various methods; and adds that unreal rates of exchange, necessary for conversion purposes in order to make any such comparison, further complicate the picture. Bearing in mind these considerations and—because I wish to feel that the material I leave here will really stand examination—I should like your permission, Mr. Chairman, to make the necessary modification in my statement of this morning, about the relative sizes of markets, so that it may “stand up”.

Hon. Mr. EULER: Which statement are you referring to, Mr. Jackson?

Mr. JACKSON: The statement that the people of the United States produce, and consume as much as the people in all other countries of the world, combined. I personally believe this. But because I cannot prove it I should like to take it off the record.

Hon. Mr. EULER: I am glad you are going to do that, because it was a very striking statement.

Hon. Mr. HAIG: What you have said here this afternoon is on the record now, and I suggest that you leave it at that.

Mr. JACKSON: I am content to leave it in that way.

The CHAIRMAN: Yes, your correction will appear in the report of this afternoon's proceedings.

Mr. JACKSON: Then, if the committee is satisfied, I will do no more about it.

The CHAIRMAN: Shall we continue with the asking of questions by members in order around the table? I think we had reached Senator Aseltine, this morning.

Hon. Mr. ASELTINE: I was interested principally in the increase in the cost of living, the increase in wages, and that kind of thing, but before my turn came Senator Reid asked a question with regard to the relevant page in the brief and I waived any further questions, so that Senator Haig could have more time to put his questions.

Hon. Mr. HAIG: Mr. Chairman, there are one or two things that I am worried about, but first I want to refer to another matter. You asked where we would dispose of our production in the years to come if we continued to increase it as we have in the past. I will come back to that later, for that is the crux of the whole situation. But just here I want to suggest to Mr. Jackson that the persons who suggested that after 1945 or thereabouts we would begin to run into another depression were on the wrong track, as it turned out, because of one or two principal facts. One of these was the large amount of money that the United States made available to other countries, especially in Europe, where in years past we normally sold a large amount of our production, certainly a large part of our natural products, such as our apples, cheese, meat products, cattle, grain and so on. I notice from today's press that the United States Senate has finally approved a grant of nearly \$7 billion to finance business with other countries.

What would have happened if the United States had not given those large orders? What about the sale of our surplus products?

Mr. JACKSON: No doubt Sir the prices of such products would have slumped but also the moment we saw signs that the market abroad for them would be lacking, we should have begun to produce less of those products: to switch our energies in some other direction—to start making something else instead which we can sell. I grant that an enforced and sudden change in the character of our production can have painful consequences. But we need not indefinitely produce goods for markets abroad if we no longer can sell such goods in those markets advantageously.

Hon. Mr. HAIG: My second question is, now that Japan is back in world affairs, and West Germany will soon be back, what effect will these two great manufacturing countries have on our economy?

Mr. JACKSON: In the case of certain Japanese industries which compete with our own industries directly, we cannot help but feel their pressure. Everyone here knows that we do now feel it in the textile industry.

But if at the same time the purchasing power of the Japanese and West German peoples is destined to grow fairly fast, I conclude that while those industries of ours will suffer, which are exposed to the direct competition of Japanese and West German industries, our other exporting industries in general will benefit somewhat, from the greater power of the Japanese and West Germans to consume our goods.

Hon. Mr. EULER: Do you think the one would compensate for the other?

Mr. JACKSON: I should not like to guess that.

Hon. Mr. HAIG: One more question. I wanted to follow up the Chairman's question as to markets. We have lost many of our markets in Great Britain, and conditions do not look too rosy for our regaining them. What other places do you envisage as markets for our surplus products?

Mr. JACKSON: Where do I find expanding markets for Canadian goods at the present time?

Hon. Mr. HAIG: Yes.

Mr. JACKSON: With regret I say that the sole great market, of whose future expansion I feel sure, is in the States. If I knew more about South America than I do, perhaps I might find lesser markets there with a future as promising. But elsewhere than in North and South America—no. The likelihood that our customers living in other continents will in the near future enlarge their capacity to purchase our products with their own financial resources, does not appear to be great.

Hon. Mr. HAIG: One more question and I am through. Looking back to the periods 1927-28 and 1948-50, what percentage of our production would we as Canadians be fair in taking to pay taxes at all levels of government? I would point out that taxation at all levels of government has been increasing very rapidly over the past three or four years. For instance, the cost of providing school accommodation for the larger families you envisaged this morning, and which I quite agree is correct, will add a great burden for educational costs, and it extends to all levels of government, from the municipal to the federal. What percentage of our total production can safely be devoted to taxes without injuring our economy?

Mr. JACKSON: That depends to some extent on the kind of taxation system you have, and at least on what you use the proceeds of your taxation for; it depends very largely on the extent to which your tax system interferes with the process of saving necessary to the country's growth.

In other words, if the net result of it all is that our citizens are seriously deterred from saving and investing, that will slow down the rate of growth. It is going to be less rapid than it might and should be. But there is no neat answer to the last question. It must be conditional on the rate of growth of our country, the savings required for investment on the necessary scale, to create new jobs and living standards.

Hon. Mr. HAIG: But is there not a stage in human endeavour where a man or a woman may say "I have worked nine months, and because the taxes are so high it is not worth my while to work the next three months; it won't pay me". So he takes a holiday for three months. When do we reach that stage?

Hon. Mr. BAIRD: We have reached it.

Mr. JACKSON: I do not know when we reach it. Some of our citizens are easily deterred. Anyway, there is no line corresponding to the Rubicon of which one can say, This side, well and good: that side, no.

The consequence of too much taxation is that the standard of living of our citizens will thereby be prevented from rising as fast as it ought to do.

Hon. Mr. HAIG: Thank you.

The CHAIRMAN: If Senator Howden will permit me to make an observation, you suggested, Mr. Jackson, that there were two important things: the scale of taxes levied and what use was made of the taxes when they were collected. What did you mean by the latter statement? That is to say, it is not only important as to the amount of money that governments take out of the people in taxation, but it is important how the money is spent.

Mr. JACKSON: There are three things which I have in mind: first, the actual burden, the dead weight of taxes to be collected; secondly, the source, that is the kind of income from which taxes are collected; thirdly, the direction in which the money goes, when the proceeds of taxation are spent.

For instance, when the Department of Finance takes a dollar from me, which I should have spent anyway, my personal consumption is reduced very

slightly thereby. This might re-act on me to the disadvantage of our national economy. But it will not necessarily do so. For it may neither cause me to do less work than I should have done otherwise; nor leave me with lessened efficiency.

But if the dollar thus taken by the Department of Finance is one which I would otherwise have saved, then the taking of that dollar of mine, to defray the current expenses of government, is going to cost the people of Canada 20c per annum (in the form of lost output) in perpetuity.

Here I deliberately choose an illustration in miniature. But you can see the point. A dollar which is taken from my current expenditure, but which leaves my savings unaffected runs me short of something or other—perhaps to the regret of the man who might have sold it to me. Nevertheless, it is likely to leave no permanent after effect. But a dollar taken in taxes by the government, and spent which if it had not been taken by the government, would have been saved, is collected at the net cost of the people of Canada. The net cost—the check to this country's economic development—in this minutely small illustration, is 20¢.

(But in actual fact, at the present time, it is much more likely to be several hundreds of millions of dollars.)

My first interest was in the burden of taxation; my second in the nature of the tax dollar—what effect its collection would have on saving and investment in Canada. My third is in the question (when the government spends the money thus collected). To whom does it go?

Many welfare expenditures, when looked at in isolation, may quite easily be defended on the ground of social justice. But as the number and amount of such expenditures grow, the process of collecting and spending the money needed therefor, may produce ill consequences for the people of Canada far more important than the good consequences which it was intended to bring about, by such spending.

The same question must be faced every time a proposal is laid before Parliament, to take money from the Canadian people in general, and make it available to some group. Does the benefit thereby conferred on *some* of us, outweigh the burden which must be borne for their benefit, by the rest of us?

The CHAIRMAN: Senator Howden?

Hon. Mr. HOWDEN: I have no questions, Mr. Chairman.

The CHAIRMAN: Senator Burchill?

Hon. Mr. BURCHILL: Mr. Chairman, I am interested primarily in the export market, and I followed very closely the discussion here today on that subject. The export market that I am particularly interested in is the United Kingdom market, which has been such a good one for—I will speak precisely—our forest products, pulp and lumber. But at the present time we are faced with a very difficult situation. Not only is there a scarcity of the right kind of currency to pay for these goods, but we have competition from Iron Curtain countries which seem to be able to make their goods available in competition with ours at prices that are ruinous to our Canadian economy. That situation is having a very bad effect on certain parts of Canada just now, to the extent that some people are out of employment because there is no market for the goods that they produce. I believe that export markets have a vital influence on the future of Canada, and when Mr. Jackson spoke about the possibility of our entering upon another inflationary period I wondered if the lack of export markets would not have a bearing upon that possibility. Could you tell us, Mr. Jackson, what evidences there are on the horizon that lead you to think that the trend is towards another inflationary period in Canada?

Mr. JACKSON: I dwelt this morning, Sir, on the fact that each year nowadays, wage increases are being demanded proportionately much greater, than our current annual increase in output.

If your output per man hour increases by no more than 2 per cent per annum, and if you nevertheless insist upon, and get an increase in your money wages of 12 per cent per annum, you thereby create an inflationary potential of 10 per cent. Nor will it be long before inflation starts.

As an illustration of this, I said something this morning about what happened during the twenty-one years between the two periods of full employment in Canada, which then engaged our attention. The fact that we can only consume what we produce, means that in the long run, if we push up our dollar incomes faster than we push up our actual output, a rise in the cost of living must automatically cancel out the resulting differential.

There is no getting away from this. You can repeal man-made laws. But you can't repeal the laws of Nature—which of course, include the laws of Economics.

If the Canadian democracy—the fourteen millions of us—cannot understand this truth, then in the process of slam-banging demands for larger and larger incomes, through the process which we still speak of as collective bargaining, we shall simply push up the cost of living—push it up against ourselves.

That, I fear, is all too likely to spark another inflation in the 'fifties.

The CHAIRMAN: What would you say about the effect of the huge defence expenditures in the so-called western countries over the next few years?

Mr. JACKSON: Your question is not confined to Canada, Sir? You refer to the western countries as a whole?

The CHAIRMAN: I have not the precise figures before me, but I should think that in the next twelve months Australia, the United States, Canada, Britain, France and the other so-called NATO countries will, if they can carry their defence projects through, spend probably \$60 billion on them. What effect will that have on inflation?

Mr. JACKSON: That really raises two questions, does it not? The first is: What effect will that have on the supply side, curtailing the production of civilian goods? The second is: By what means is the money to be raised?—in other words, what will the raising of that sum do to the demand for consumer goods, and the demand for capital goods, respectively?

Before addressing myself directly to these, I should like to make one brief observation.

It is theoretically possible that we might achieve this re-armament effort, on the scale which our circumstances require, without rolling back our standards of living—and without inflation. We could achieve this, if all of us (having shortened our work week by something like 20 per cent during the past generation) were to say, now: For the duration of this program of re-armament, we will go back to the same hours of labour, as were usual a generation ago. We might decide that we shall add the great armaments which we can produce in those additional hours of labour to the capital goods and consumer goods, which we now produce for ourselves. We thus might re-arm, not only without impoverishing ourselves—but even without checking the pace of this country's economic expansion.

That will not be done, but it could be done.

Last year, the Journal called *Public Affairs* published a script of mine, which it called "Freedom's Secret Economic Weapon". In it I said, as well as I could, that we North Americans possess, in our leisure, the most powerful weapon that ever was placed in anyone's hands. But we don't use it—at least, not so far.

Alternatively, supposing we were now to say, We will tighten our belts and consume that much less just now, so that we may produce *both* such weapons as we need, *and* as well, the necessary capital goods for investment—for the progressive expansion, over time, of our output—what would that mean for us?

We should, of course, experience a certain amount of present discomfort—there is an element of sacrifice, in any cut-back of current consumption. But we certainly could achieve our task of re-armament and at the same time, sustain our country's current rate of growth.

Hon. Mr. EULER: Are you hopeful of that?

Mr. JACKSON: The probabilities are that we shall arrive at some sort of a compromise. We shall work somewhat longer hours than we should have worked otherwise. We shall probably save somewhat less than we should otherwise have saved. (I myself certainly shall, unless ways are found of lightening the present burden of taxation.)

Hon. Mr. EULER: Mr. Chairman, as we are talking about inflation, may I ask another question along that line?

The CHAIRMAN: Yes.

Hon. Mr. EULER: Professor Jackson has said that the first outbreak of inflation was caused pretty largely by deficit government spending, is that right?

Mr. JACKSON: I carefully made use of the word "sparked"—not the word "caused". When you get to talking about causes, you may find yourself on dangerous ground.

Hon. Mr. EULER: Here in Canada we have had large surpluses, but in the United States they are still practising deficit financing.

Mr. JACKSON: Yes.

Hon. Mr. EULER: Will it not have the same effect as before, of creating inflation, and will that condition not spill over into Canada, of necessity?

Mr. JACKSON: That is not unlikely.

Hon. Mr. GOLDING: The period of the deficit financing that you were speaking of was in the early 'forties, not in later years.

Mr. JACKSON: Yes, Sir. Two things followed from our deficit financing in the 'forties. The first was, that in financing our actual war effort, we Canadians increased enormously the total amount of money circulating among us—which sooner or later must find an outlet. The second was that in creating billions of dollars of government debt which must be serviced, we got what may be called a Treasury Complex. We said, "Come hell or high water, let us keep down artificially the rate of interest to be paid on this".

The stage was reached when many folk wanted to get rid of their government bonds. Through the government—or through the banking system—these bonds were being bought up as fast as they were thrown on the market. This procedure was itself inflationary because it dragged into circulation still more money. Thus, most of the mischief was done in the first half of the forties. Some of it was done during the second half. In any case, these policies made inevitable (though they do not account for entirely) the sharp and alarming inflation experienced of late years in Canada.

The CHAIRMAN: Senator Gershaw?

Hon. Mr. GERSHAW: We have in the part of the West from which I come about half a million acres of land under irrigation, and there is about another million acres that could be irrigated. Would it be economically sound to irrigate that additional acreage to make homes for people, to take them off the relief rolls and to add to the general prosperity of the country?

Mr. JACKSON: In earlier times that question would I suppose have meant: Can we conveniently find the money to do this? In a régime of full employment, such as we now live in, except in the winter months we have no surplus labour force. I suggest to you, therefore, that the question is by no means simple. It takes somewhat this form: Would you rather have a million acres irrigated, and do the construction work necessary to make that acreage useful to Canada—or would you rather have something else which might be made instead, with that amount of our productive energy? Do you get my point?

Hon. Mr. GERSHAW: Yes.

Mr. JACKSON: At present our resources are employed just about fully. Therefore, we cannot undertake some new scheme, merely pleading: "Let us do this, because it is a good thing". We might all of us agree that it is a good thing. But still it might be doubtful wisdom to do the thing proposed. In other words, we must choose between it and the various possible alternatives—because we do not have, at any given time, enough productive capacity to do more than a fraction, of what we should like to do.

Hon. Mr. BEAUBIEN: The answer there applies to the State doing it?

Mr. JACKSON: Not necessarily, sir. We should think first of our national economy: fourteen millions of Canadians who possess, between them at any given time, just so much productive energy—no more. They have so many machines, so much equipment, so much power. These productive resources are all of them being used fully.

Somebody comes along with a perfectly sound proposition—and we like it. The first question then is, "Can we do this without cutting back something else?" If we cannot do the thing which is proposed, otherwise than by cutting back something else, we then face the question, "Whether the thing proposed meets the more urgent need—or the thing which, if that proposal were carried out, would have to be cut back?"

That is my reason for making my reply to you so guarded. I know neither the value which we should attach to this irrigation project; nor what other project it might be necessary to postpone for the purpose of irrigating the land mentioned.

Hon. Mr. GERSHAW: The second question I have is with regard to markets amongst the two billion people of the world apart from the people of the United States. I wonder if it would not be possible to find markets for the products which we can produce cheaply, such as cereals and things of that kind. There was a time when we had big markets for our product in such countries as Italy and France, probably the Scandinavian countries, as well as Great Britain. Is there any hope of getting those markets back again for the products which we can economically produce?

Mr. JACKSON: You mean, Sir: Is there any prospect that those countries will get the dollars which they would have to spend, in order to buy our goods?

Hon. Mr. GERSHAW: That is what it amounts to.

Mr. JACKSON: I do not wish to put words in anybody's mouth. Is that what the question means?

Hon. Mr. GERSHAW: I was thinking more of markets for our surplus products.

Mr. JACKSON: With what are you going to be paid?

Hon. Mr. EULER: Could we get a general convertibility of exchange?

Mr. JACKSON: The mention of convertibility brings me dangerously near to party politics. There has recently been a debate on the subject, in Another Place.

Being a man who tries humbly to keep himself qualified as a sort of economist, I know that any country's convertibility problem is a domestic

problem. If you desire to make a sale in Italy, but refuse to be paid in unconvertible *lire*, then Italy must find dollars to pay the debt. That is to say, she must solve her own convertibility problem.

Hon. Mr. REID: Or provide other goods?

Mr. JACKSON: If she sells goods here or in the States, she will acquire dollars with which to buy these surplus products, of which you speak. But if she can't get dollars by the direct sale of goods, and if she cannot solve her own convertibility problem, I say that we Canadians cannot solve it for her.

Hon. Mr. GERSHAW: I take it that the net result, as far as getting markets in those countries, is that the prospect is not good?

Mr. JACKSON: I quite agree, Sir.

Hon. Mr. EULER: Unless you can make a three-cornered arrangement such as we made with New Zealand on the beef question.

Mr. JACKSON: Are you dragging me still nearer to the political arena?

The CHAIRMAN: I think the point Mr. Jackson is making here might be illustrated by the experience we had in the early thirties with wheat. At that time wheat, which is a stable article of food, dropped to the lowest point it had reached in three hundred years. At that very time there were millions of people in China who were either starving or on the verge of starvation. The problem was to get wheat to China, and to get paid for it. The Canadian Government, if it had been generously disposed, might have raised the money from the Canadian people by taxes or loans, bought the wheat and given it to China, and taken in return Chinese currency which was unconvertible. It seems to me the most important problem is our unquestionable need for markets; but our ability to get markets depends on the ability of other countries to find the wherewithal to pay for the goods they buy from us.

Hon. Mr. HAIG: Mr. Chairman, may I make one observation here? I happen to be one of the alternate delegates at the meeting of the United Nations in 1946, and seated beside me was the representative in those days of Nationalist China. Sir Boyd-Orr suggested that the surplus grain of Canada and the United States should be given to the Asiatic countries, especially China. I turned to my friend and said "How about that?" He said "We have 500 million people in China now; if you give us the surplus grain of America, in thirty years we will have a billion people." I think that is the answer.

Mr. JACKSON: The questions about India which interested us this morning are not of course answered by suggesting that India has been mismanaged during the past half century. That is not true. But India's population has increased much faster than that country's production. The result has been a reduction of average living standards. So long as the citizens of any country can save little or nothing, the natural growth of their numbers can easily result in a reduction of living standards.

Hon. Mr. EULER: Why not try birth control?

The CHAIRMAN: Let us not get into a discussion of that subject.

Mr. JACKSON: The facts respecting India present us with an almost hopeless dilemma—the Senator would agree with that?

Hon. Mr. EULER: Yes, I agree with it.

The CHAIRMAN: Senator Isnor?

Hon. Mr. ISNOR: Mr. Chairman, I have noted three questions, more for clarification than anything else. I turn to the first page of the documents which Mr. Jackson presented. It groups the physical volume of production during the period. You said that an original investment of \$5.00 would be

necessary in order to bring about a permanent increase of \$1.00 in the volume of Canada's annual production. I wonder if you could give us that in dollars and cents, covering the next generation, in figures which I could understand?

Mr. JACKSON: In constant dollars, maybe. But God knows what will be, ten years hence, our dollar's value.

Hon. Mr. ISNOR: Take your own figures, in constant dollars. How would you represent that?

Mr. JACKSON: I will try to do something about this, without wasting your time.

Reckoned in constant dollars, this country's gross national product in 1951 was just about \$10,730 millions. I suggested this morning that we should now contemplate doubling the scale of our output in the very near future (that is, within a period of between seventeen or eighteen years) which, I suppose, means doubling the scale of our equipment, too.

On this basis—and still in terms of constant dollars—we should have a gross national product of something like \$21,500 millions in 1970.

Going back to the ratio, measured in constant dollars, between the rate of investment per annum, and the resulting increased rate of output annually during the last generation (that is, \$4.62: \$1.00) we should expect that, in order to reach a gross national product of \$21,500 millions in 1970, the people of Canada must invest altogether just about \$50,000 millions, additional to their present investment in Canada, by that time.

Hon. Mr. ISNOR: That is what I wanted to get at.

Mr. JACKSON: That is a rough statement. I make it in quite general terms. Some Senator, better than myself at figuring, doubtless can come up with a more accurate figure than this. But you can see my point. In terms of these pre-war dollars of 1935-39, it will take an investment of \$50 billions, to get us where we should be, come 1970. Canada's annual average of investment during these eighteen years should thus be just about \$2½ billions.

By coincidence, on the scale of measurement used here, Canada's investment last year (calendar 1951) was \$2,725 millions—almost exactly the same figure. But of this large figure, several hundreds of millions of dollars then consisted, not of what most of us think about as money really "saved"—but of the "statistical saving" (as I called it this morning) imposed on us by government, and by the men in charge of our credit policy, during 1951.

Hon. Mr. ISNOR: Thank you very much. Now my second question. I am looking at the figures that you gave on page 5, the index of wage rates per hour, the cost of living index and the index of "real" wage rates per hour.

Mr. JACKSON: Will you let me put this in a nutshell, sir?

Hon. Mr. ISNOR: Yes.

Mr. JACKSON: We can express it, Sir, by this equation:

$$\frac{210.3}{133.2} = 157.9$$

In other words, if in the 1927-29 period you take 100 as expressing both our index of hourly wage rates, and our index of the cost of living, then in the 1948-50 period the former, that is the wage rate index is about 210; and the latter, that is the cost of living index, is about 133. Divide 210 by 133: multiply the result by 100: and in round terms, the figure which you then get is 158. The labour income per hour during the 1948-50 period, which we talked about this morning, was approximately 58 per cent greater, than the labour income per hour in the 1927-29 period.

Hon. Mr. ISNOR: Yes, I followed that. You have now cleared up my second question. Before I ask my third question, may I ask if we are going to deal further with these other tables?

Mr. JACKSON: If that question is addressed to me, Sir, I can only profess my readiness to be questioned. But it is not for me to decide what we shall talk about.

Hon. Mr. ISNOR: Defence expenditures have been mentioned. I read in a newspaper a statement that the United States was spending roughly 20 per cent on defence, Great Britain 12·8 per cent, France 11 per cent and Western Germany 15·5 per cent. Can you tell me what Canada's percentage is?

Mr. JACKSON: I do not know to what figures those percentages apply, Sir. They could apply to gross national product, or to the total of personal incomes; or to something else. But in any case, the Canadian figure is not known to me.

Hon. Mr. ISNOR: I think that at some time you made a statement that in our defence expenditures there was a mean level beyond which it would be dangerous to go.

Mr. JACKSON: I suggested a little while ago that there is a danger zone in government expenditures anyway (that is whether these expenditures are, for defence purposes, or not). In a danger zone, we should navigate carefully.

But I suggested, too, that there is no precise line at which one can point, and say, "Cross this at your peril".

Hon. Mr. ISNOR: Then you are not prepared to say where the danger line is?

Mr. JACKSON: I suggest, Sir, that there is no definite line. I think we do wrong if we think in terms of there being some kind of a Rubicon to be crossed at our peril.

Hon. Mr. EULER: But you have an idea where the Rubicon is?

Mr. JACKSON: I suggest, Sir, that we should not look for a Rubicon.

Hon. Mr. ISNOR: One more question. On page 8 you deal with the total of personal income of Canadians, showing how it was disposed. You show what was paid in direct taxes, what was spent on goods and services, and what was saved and invested. Have you a breakdown showing what was paid in indirect taxes?

Mr. JACKSON: No; but I suppose one could be made.

Hon. Mr. ISNOR: The only taxes you have dealt with are direct taxes?

Mr. JACKSON: My purpose on that page is to trace what happened to corporate profit in Canada during the two periods mentioned, and in 1951. But I rejoice that you bring this point up, Senator.

Will you look for a moment at the sheet two pages earlier than the one you mentioned just now—that is, the sheet headed, "What was done with corporate profit, 1927-29 and 1948-50". Here the total of corporate profit in both of these periods is called 100.

In 1927-29, including the tax levied on the corporation before distribution of dividends, and the tax levied on the dividend income in the hands of the dividend receiver, the government took in taxes 9 per cent of corporate profit; the dividend receiver spent 42 per cent on his current needs and the current needs of his family; the remaining 49 per cent was retained by the corporation as undistributed profit and invested by the corporation on behalf of the dividend receiver; or else, was saved and invested for his own account, by the dividend receiver.

In those days, therefore, roughly one-half of the profit which was made, was saved and invested by the corporation or by the dividend receiver. Of the remainder, about one-sixth was paid in taxes; about five-sixths was kept, and spent by the dividend receiver.

In 1948-50 the percentage paid in taxes had risen to 41 per cent. An interesting question is: What did Canadian capitalists do, to meet this change? Let us find out.

In the period from 1948 to 1950, no less than 32 per cent of corporate profit was being appropriated by government, in excess of what had been collected by government, from corporations, in the period from 1927 to 1929.

Note that in this new situation, the dividend receiver cut down his own spending by 19 percentage points. That helped somewhat. But as well, the dividend receiver and the corporation together cut down their saving, by 13 percentage points. In other words, about three-fifths of these increased taxes, levied on profits, were financed by the dividend receiver, who curtailed the scale of his personal expenditures accordingly. Roughly two-fifths were financed by the corporation and the dividend receiver together, saving less and investing less, than they would have been saving and investing, if they had not been compelled to bear this enhanced load of taxes.

But there is another chapter to this story. Turn, please, to the next following page. Here is the situation which emerged the next year, in 1951. The "paid in taxes" percentage went up by 12 cents on the dollar, from 41 cents to 53 cents. The "spent" percentage went down by 4 cents, from 23 cents to 19 cents. (These are of course, rounded figures; I show them to two places of decimals, on the succeeding page of the tables).

In other words 4 cents of the government's newly stepped-up revenue from corporate profits, was taken care of by the dividend receiver—who curtailed his own expenditure accordingly. But the "saved and invested" item went down, from 36 cents to 28 cents—that is, by twice as much. You can see that one-third, of this increase in the "paid in taxes" percentage, was at the cost of the so-called capitalist who, so to speak, "took in his belt". But no less than two-thirds of this increased levy by government was paid for by curtailing of saving, at the cost of the people of Canada.

When you reach the stage at which new taxation visibly reduces the rate of saving and investment, you face a conclusion, unpleasant but inescapable. It is, that in proportion as you bring about a reduction in the rate of saving and investment, you slow down the rate of economic growth and expansion, which we might otherwise have achieved. The degree to which you do slow down this rate measures the cost, to be borne by the people of Canada generally—not by the capitalist on whom (ostensibly) the new tax burden was laid.

The CHAIRMAN: Senator Reid?

Hon. Mr. REID: I have two questions which I would like to ask the professor. In view of the great importance export trade holds in the Canadian economy, and in view of the whole purchasing power of the millions of people in other countries with whom we would like to trade, do you think there is any danger of wages and prices going to such a height in Canada as to seriously affect the sales of our goods to those countries, which are poor financially?

Mr. JACKSON: Well, sir, if our money wages are increased no faster than we can increase our physical output per man hour, Canadian labour will become no more expensive that it was before. Only when we push up wage rates faster than we can increase output per man hour, does our cost of production increase.

I suggested, this morning, with all the force at my command, that when we do this, we create for ourselves a perilous inflationary potential.

I quite agree that, as well, when we do this we must endanger our markets abroad.

Hon. Mr. REID: Possibly you did not get my point. I am thinking of the cost of production of goods in this country in relation to our endeavour to sell the products to poor countries.

Mr. JACKSON: Yes.

Hon. Mr. REID: There must be a limit of purchasing power in these poor countries. For instance, if an Italian gets only fifty cents a day, when our

workmen receive two or three dollars per hour, the increased cost of our product will be such that the Italian will not be able to buy. As an example, our lumber is very high, and we have to sell much of it abroad. It so happens that we have the United States with her demand and purchasing power; but look at Great Britain and the other countries who do not have that purchasing power. We also have canned fish and wheat for sale. Do you think that hourly rates will be reached in this country which will make it extremely difficult to sell Canadian products in other countries?

Mr. JACKSON: Surely such rates have by now been reached. I thought you meant, a possible intensification of this handicap which already confronts us.

Hon. Mr. REID: No, I was thinking of export trade.

Mr. JACKSON: And I too. We both agree that the present outlook, for the sale of Canadian goods overseas, looks far from encouraging. Surely that is just a form of stating what you said just now, speaking of the supposed Italian who gets only fifty cents per day.

Actually the poor chap labours under a still more severe handicap, than mere under-payment. He wishes he did get fifty cents a day. But what he gets is not fifty cents—but (according to the rate of exchange in the Spring) 318·4375 Italian lire. You can't do much with them.

Hon. Mr. REID: I have a further question. Amongst other interesting statements you have made today, I was very much intrigued by your remark that Canadian families are going to increase. My reading of history indicates to me that the poorer the country the larger the families, and as you go up on the social scale the size of the family decreases. Now you tell us that we in Canada are going to reach a new high in our productive career, and that families are going to increase in size. That is only one aspect of my question.

I am thinking now of Great Britain and the point her economy has reached. I think you will agree with me that she is now at the stage where only a small group are in the productive class. This is due to the fact that she is keeping her boys and girls at school for more years than before, and also the fact that older people are retiring earlier.

She finds she is dependent on a small group for her whole productive economy. I am wondering if a similar situation might not arise here, and if it did, what effect would it have on our economy?

Mr. JACKSON: That is quite a double-barrelled question to fire at me so late in the day, Senator.

Hon. Mr. REID: I think it is an important question.

Mr. JACKSON: Both questions are important; please don't think I make light of either. Let me take them one at a time.

I did not express an opinion that Canadians are going to have larger families. I stated the fact that, for quite some time past, Canadians have been producing larger families. I should not like to detain the committee by speaking in any detail on this topic. The best analysis of it which I have seen was written by that first-rate journalist Peter Drucker (who can also fairly be described as a first-rate economist) and published in *Harper's Magazine*, not very long ago. Drucker writes about the States: but what he says applies with equal force to Canada.

He shows that in the 'thirties, when most married folk in the States were restricting the size of their families ever more drastically—when the birth rate still was declining—here and there the most energetic, courageous and imaginative "young marrieds" began, deliberately, to produce children in larger numbers. This change began during the Depression, when lots of young folk so distrusted the future that they debated endlessly within themselves, whether they should have any children at all—instead of going ahead and having babies.

There is a curious parallel to this change of outlook on the part of an energetic minority. Back in the nineteenth century, when the poor were having babies—if I may be permitted the phrase in this august assembly—"to beat the band", a similar minority group showed initiative in starting deliberately to restrict the numbers of their offspring. They were not many: but their example was contagious, and others quickly began to follow their lead. The result was that in our time—in those depression years, particularly—most married folk of a suitable age to become parents, were exercising great caution in that regard.

Present evidence suggests that, just as a small minority during the nineteenth century, began this practice of restricting numbers in the family—to be followed soon by millions of other folk in all walks of life—so during recent years, a small group of the most energetic, courageous and imaginative "young marrieds" has begun, deliberately, to produce larger families.

Signs of this change (it seems) were in evidence eighteen or nineteen years ago: but it still is very new.

Hon. Mr. HOWDEN: Do you not think that the size of the family depends on the efficiency of the contraceptive?

Mr. JACKSON: And on the decision of two people. The statisticians are not sure yet, that this new tendency can be depended on to continue during, say, the next generation. But if it does continue—supposing that, as in the case of the lead which a corresponding minority gave in the nineteenth century, other folk *en masse* promptly follow suit—then we must reckon with the potentially rapid growth of our native Canadian population as an important factor, setting the requirements for Canada's economic expansion between (say) this year and 1970.

Now for the second question. If we reduce our working population at one end, by keeping young folk longer in school—and at the far end, cut down the working life of our own contemporaries by retiring them at 60 (when everybody here knows that having attained three score years, a man is just reaching his prime)—

Some Hon. SENATORS: Hear! hear!

Mr. JACKSON: I know there is an increasing tendency for persons who have been pensioned off by one employer, to start work at once for some other employer, or get into business for themselves.

Hon. Mr. HAIG: If they want to live, that is what they do.

Hon. Mr. BEAUBIEN: I would like to ask one question of Professor Jackson. You have made a statement that the chances of getting trade in the countries of Europe, whose currency is hard to convert, are slim. In this country we have fairly high tariffs against foreign goods. Would the reduction of our tariffs have the effect of increasing the flow of goods from these countries, so that they could convert their goods into dollars and give us a chance to increase our markets in those countries?

Mr. JACKSON: To some extent, Sir: but under various international trade agreements at present in force, we cannot make unilateral concessions to countries whose buying power we regard as insufficient. Take a simple illustration. We should like to benefit Italy, by lowering the tariff on oranges—

Hon. Mr. BEAUBIEN: Or on hats.

Mr. JACKSON: Hats would serve—but I don't know much about hats.

In the case of oranges, we should find ourselves obliged to lower the tariff on oranges coming from the States, as well as on oranges coming from Italy: so that in the result, perhaps we would get more oranges from Florida, no more from Italy.

Thus, the real benefit which Italy could derive from such an expression of goodwill, by Canada, might prove to be much more limited, than anyone expected beforehand.

Hon. Mr. BEAUBIEN: That is all the questions I have, Mr. Chairman.

The CHAIRMAN: Gentlemen, may I direct a question to the committee? Do we wish to have the figures which Mr. Jackson presented printed as an appendix to the proceedings today?

Some SENATOR: Yes.

(See Appendix at end of today's proceedings.)

Hon. Mr. REID: May I ask Mr. Jackson just one question? We have an economic system which depends entirely on currency. Now, after all, goods can be paid for with goods, which represent the labour of men, or can be paid for with currency, provided it is acceptable. But I well remember that when after World War I Great Britain endeavoured to pay her debts to the United States—I forget how many millions she owed—she said she was willing to pay them with goods.

Hon. Mr. EULER: By barter.

Hon. Mr. REID: And the United States said, "If you do that you will close half of the factories in our country," and they wiped off the debt. I think we overlook that trade can be done by barter. Russia today is bartering with Britain. Yet although Britain is, next to the United States, our best market, we restrict our trade with her because she has not got the necessary amount of dollars.

Mr. JACKSON: This opens up a wide stretch of country, somewhat late in the day, Sir.

Hon. Mr. REID: I am sorry I did not mention it earlier.

Mr. JACKSON: I think mankind's experience in our own time, and for a long time past, shows that barter is a terribly poor substitute for trading by means of money. Money was invented, so that men could do business with one another triangularly. If I have sermons to sell, and you have butter to sell: and if we must in practice, exchange our products with each other—you may be pretty reluctant to take my sermons in exchange for your butter; whereas, if I could sell my sermons for cash to someone else, I then could come back with cash for your butter.

The twentieth century barter deals are nothing but a reversion to primitive business methods.

While Russia does conduct a certain amount of barter with Britain now—for Russia can uniquely price anything she sells at any figure, regardless of the question, whether a profit is made at that figure, or whether the producers of the goods offered for barter, perish of starvation while making them—we should not blind ourselves to the fact that Russian trade, carried on thus, has been the least successful of all international trading systems, during the thirty-five years since the Soviet system came into being. Indeed (speaking subject to verification, for I have not looked at these figures in nearly ten years), I believe that Russian trade under this wonderful system of which they boast, has been even in peace time, the smallest trade per head, anywhere in the world.

Hon. Mr. HAIG: Mr. Chairman, I move that we now adjourn.

The CHAIRMAN: Before we adjourn I wish to express to Mr. Jackson, on behalf of the Committee, our appreciation of his presence here today and of the enlightenment that he has given us.

Hon. SENATORS: Hear, hear.

Mr. JACKSON: Sir, may I through you thank the Committee again for inviting me to be here? I have had a very good time and very much appreciate the privilege of appearing before you.

The Committee thereupon adjourned until 11 a.m. tomorrow, Thursday, June 12, 1952.

EXHIBIT No. 8

RELATIONSHIP OF INVESTMENT TO PHYSICAL PRODUCTION FROM 1927-29 to 1948-50

Aggregate Physical Volume of Production (Gross National Product measured in "constant" dollars of 1935-1939) during two decades, from 1929-1949 inclusive	\$141,083 millions
Aggregate Physical Volume of Investment (actual investment measured in "constant" dollars of 1935-1939) during two decades, from 1929-1949 inclusive	\$ 21,189 millions
Aggregate Investment as percentage of Aggregate Production ..	15 per cent
Average Annual Physical Volume of Production (Gross National Product measured in "constant" dollars), 1948-1950	\$ 9,785 millions
Average Annual Physical Volume of Production (Gross National Product measured in "constant" dollars), 1927-1929	\$ 5,198 millions
Increase during this period	\$ 4,587 millions
Relation of Aggregate Investment during this period, i.e., to Growth in the Physical Volume of Production during this period, i.e.	\$ 21,189 millions
represents an investment of almost \$5 (actually \$4.62), in order to bring about a permanent increase of \$1, in the volume of Canada's annual production.	\$ 4,587 millions

Source: "National Accounts, Income and Expenditure" 1926-1950 and Revised Preliminary 1951; and "Private and Public Investment in Canada, 1926 and 1951".

EXHIBIT No. 9

RATE OF INCREASE IN THE PHYSICAL VOLUME OF PRODUCTION IN CANADA BETWEEN 1927-29 and 1948-50

Physical Volume of Production

(Gross National Product in Constant 1935-9 Dollars)

Annual Average 1948-50	\$ 9,784.7 million
Annual Average 1927-29	5,197.7 million
Increase	\$ 4,587.0 million

Population

Annual Average 1948-50	13,425,667
Annual Average 1927-29	9,833,667
Increase	3,592,000

Physical Volume of Production Per Head

Annual Average 1948-50	\$ 729
Annual Average 1927-29	528
Increase	\$ 201

Average Rates of Growth:

Physical Volume of Production	3.06% per year
Population	1.49% per year
Physical Volume of Production Per Head	1.54% per year

EXHIBIT No. 10

INVESTMENT IN CANADA, 1927-29 AND 1948-50

(in millions of current dollars)

	1927-1929		1948-1950	
	Average of three years	Average as per cent of Gross National Product	Average of three years	Average as per cent of Gross National Product
	\$	%	\$	%
Gross National Product.....	5,972.7	100.00	16,732.3	100.00
1. Private Investment ⁽¹⁾				
(a) Residential Construction.....	233.3	3.91	726.7	4.34
(b) Non-residential Construction.....	398.7	6.67	915.7	5.47
(c) Machinery and Equipment.....	506.3	8.48	1,314.0	7.86
(d) Changes in Inventories.....	145.3	2.43	613.7	3.67
Total Private Investment.....	1,283.7	21.49	3,570.0	21.34
2. Government Investment				
(a) Government Capital Outlays ⁽²⁾	162.0	2.71	504.7	3.02
(b) Government Housing.....			34.0	0.20
Total Government Investment.....	162.0	2.71	538.7	3.22
3. Total Investment.....	1,445.7	24.20	4,108.7	24.56

⁽¹⁾ Private Investment includes investment by government agencies and corporations such as the Canadian National Railway, or Ontario Hydro-Electric Commission.

⁽²⁾ Government Capital Outlays consists of such things as public buildings, roads, etc.

SOURCE: "National Accounts, Income and Expenditure" 1926-1950 and Revised Preliminary 1951.

EXHIBIT No. 11

SOURCES OF SAVING FOR INVESTMENT IN CANADA: 1927-29 AND 1948-50

(in millions of current dollars)

	1927-1929		1948-1950	
	Average of three years	Average as per cent of Gross National Product	Average of three years	Average as per cent of Gross National Product
	\$	%	\$	%
1. Personal Saving				
(a) Changes in Farm Inventories.....	-30.3	-0.40	-2.0	-0.01
(b) Personal Saving.....	320.3	5.36	960.0	5.74
Total Personal Saving.....	296.0	4.96	958.0	5.73
2. Gross Business Saving				
(a) Depreciation and Similar Costs.....	656.0	10.98	1,440.6	8.61
(b) Net Bad Debt Losses of Corporations.....	-16.7	-0.28	-21.0	-0.13
(c) Undistributed Corporation Profits.....	230.3	3.86	713.7	4.27
(d) Adjustment on Grain Transactions.....	3.3	0.06	-34.7	-0.21
(e) Inventory Valuation Adjustment.....	-2.7	-0.04	1.0	
Total Gross Business Saving.....	870.3	14.58	2,099.0	12.54
3. Government Saving				
(a) Government Surplus (+) or Deficit (-)	46.7	0.78	626.3	3.74
(b) Other Funds*	162.0	2.71	538.7	3.22
Total Government Saving.....	208.7	3.49	1,165.0	6.96
4. Net Foreign Trade Balance (+) Imports (-) Exports	119.7	2.00	-87.7	-0.52
5. Total Saving.....	1,494.7	25.03	4,134.3	24.71

* Other Funds are funds provided by governments to undertake the Capital Outlay.

SOURCE: "National Accounts, Income and Expenditure", '1926-1950 and Revised Preliminary 1951.

EXHIBIT No. 12

RATE OF INCREASE IN "REAL" WAGE RATES PER HOUR
BETWEEN 1927-29 and 1948-50

	Annual Average 1927-29	Annual Average 1948-50	Per Cent Increase
1. Index of Wage Rates per Hour (General Average) 1935-9=100	102.9	216.4	110.3%
2. Cost of Living Index 1935-9=100	120.7	160.8	33.2%
3. Index of "Real" Wage Rates per Hour (1 divided by 2, x 100)	85.3	134.6	57.9%
4. Average Annual Rate of Increase in our Index of "Real" Wage Rates per Hour	2.20% per Year		

Source: "Wage Rates and Hours of Labour in Canada, October 1950" and "Prices and Price Indexes" 1948, and April 1952.

EXHIBIT No. 13

WHAT WAS DONE WITH CORPORATE PROFIT, 1927-29 and 1948-50

Account is taken here, both of the treatment of corporate profit before distribution of dividends to shareholders; and of the treatment of that part of corporate profit, which was paid in dividends to shareholders.

	1927-29	1948-50
Paid in Taxes	9%	41%
Spent	42%	23%
Saved and Invested	49%	36%
	<hr/> 100%	<hr/> 100%

EXHIBIT No. 14

WHAT WAS DONE WITH CORPORATE PROFIT IN 1951

Proportion of Corporate Profit:

Paid in Taxes	53%
Spent	19%
Saved and Invested	28%

EXHIBIT No. 15

WHAT BECAME OF CANADIAN CORPORATE PROFIT, 1927-29
and 1948-50 and 1951

	1927-29 %	1948-50 %	1951 %
1. Corporate Profit before Taxes but after Charitable Donations	100.00	100.00	100.00
This was disposed of as follows:			
2. Paid in Corporation Taxes	8.72	39.08	51.15
3. Retained by Corporations	46.01	34.31	25.15
4. Distributed as Dividends	45.27	26.61	23.70
If the sum distributed as dividends (Item 4) was disposed of in the same proportions as the total of personal incomes*, then this is what happened to percentages in item 4 above:			
5. Income from Dividends Paid in Direct Taxes .....	.62	1.64	1.52
6. Income from Dividends Spent on Goods and Services	41.69	22.97	19.57
7. Income from Dividends Saved and Invested	2.96	2.00	2.61
	<u>45.27</u>	<u>26.61</u>	<u>23.70</u>

In Summary:

8. Corporate Profit Paid in Taxes (Items 2 and 5)	9.34	40.72	52.67
9. Corporate Profit Spent (Item 6)	41.69	22.97	19.57
10. Corporate Profit Saved and Invested (Items 3 and 7)	48.97	36.31	27.76

*The total of personal income of Canadians was disposed of as follows:

(a) Paid in Direct Taxes	1.37	6.15	6.42
(b) Spent on Goods and Services	92.09	86.32	82.58
(c) Saved and Invested	6.54	7.53	11.00

EXHIBIT No. 16

SOME CANADIAN MONETARY STATISTICS, 1939 AND 1946 TO 1951

	1939	1946	1947	1948	1949	1950	1951
1. Means of Payment Per Head.....	100.0	222.3	230.6	239.7	245.5	251.7	253.3
2. Personal Incomes Per Head.....	100.0	206.9	215.4	241.8	245.6	253.5	291.7
3. Gross National Product in Constant (1935-39) dollars Per Head.....	100.0	146.2	144.9	145.7	142.7	146.4	150.9
4. (1) divided by (3), x 100.....	100.0	152.1	159.1	164.5	172.0	171.9	167.9
5. Cost of Living (ex rents).....	100.0	125.0	138.5	161.4	168.0	172.7	193.1

NOTE.—Population figures used to place the above statistics on a Per Head basis were the estimates published by the Dominion Bureau of Statistics to 1950. The 1951 figure was a projection of the 1949, 1950 estimates and not the census figure.

EXHIBIT No. 17

GOVERNMENT EXPENDITURES AND THE GROSS NATIONAL PRODUCT, 1939 TO 1951

(in millions of dollars)

Year	A Gross National Product	B Total Government Expenditures		C Transfers to other Govern- ments	D Govern- ment Transfer Payments ⁽¹⁾	E Subsidies paid by Govern- ments ⁽²⁾	F Govern- ment Expenditure on Goods and Services	G B as % of A	H F as % of A
		Federal	Other						
	\$	\$	\$	\$	\$	\$	\$	%	%
1939.....	5,707	457	741	79	401	-17	735	20.99	12.88
1940.....	6,872	993	673	70	378	53	1,165	24.24	16.95
1941.....	8,517	1,520	672	54	375	74	1,689	25.74	19.83
1942.....	10,539	3,732	658	150	421	93	3,726	41.65	35.35
1943.....	11,183	4,376	681	148	471	211	4,227	45.22	37.80
1944.....	11,954	5,284	738	155	578	267	5,022	50.38	42.01
1945.....	11,850	4,261	810	157	948	262	3,704	42.79	31.26
1946.....	12,028	2,839	964	174	1,561	236	1,832	31.62	15.23
1947.....	13,768	2,047	1,197	192	1,302	180	1,570	23.56	11.40
1948.....	15,613	1,901	1,449	150	1,327	75	1,798	21.46	11.52
1949.....	16,462	2,157	1,655	182	1,425	77	2,128	23.16	12.93
1950.....	18,122	2,309	1,788	256	1,454	64	2,323	22.61	12.82
1951.....	21,241	3,058	1,903	260	1,448	133	3,120	23.36	14.67

(1) Government Transfer Payments include such items as old age pensions, family allowances and interest on the National Debt.

(2) Subsidies paid by Governments are cash subsidies or rebates on customs, etc., paid or allowed to producers for certain goods.

Source: "National Accounts Income and Expenditure", 1928-1950 and Revised Preliminary 1951.

Canada, Finance
on, (Senate), 1952

1952

THE SENATE OF CANADA



Government
Publications

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1952
1953

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953

No. 11

THURSDAY, JUNE 12, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

- Mr. S. A. Goldberg, Director, Research and Development Division, Dominion Bureau of Statistics;
Mr. Monteath Douglas, Executive Director, Canadian Tax Foundation, Toronto, Ontario.

EXHIBITS:

- No. 18. Taxes in Canada.
No. 19. Studies of Tax Incidence.

THE STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

The Honourable Senators:

Aseltine	Fogo	Paterson
Baird	Fraser	Petten
Barbour	Gershaw	Pirie
Beaubien	Golding	Quinn
Bouffard	*Haig	Reid
Buchanan	Hawkins	*Robertson
Burchill	Hayden	Roebuck
Campbell	Horner	Stambaugh
Crerar	Isnor	Taylor
Dupuis	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien (38)
Farris	McDonald	

50 Members

(Quorum 9)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate,

WEDNESDAY, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial, and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.

L. C. MOYER,
Clerk of the Senate."

MINUTES OF PROCEEDINGS

THURSDAY, June 12, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Crerar, Chairman; Aseltine, Baird, Barbour, Beaubien, Burchill, Euler, Fafard, Gershaw, Golding, Haig, Horner, Isnor, King, Lambert, McDonald, Reid and Taylor.—18.

Consideration of the order of reference of March 26, 1952, was resumed.

The following were heard:

Mr. S. A. Goldberg, Director, Research and Development Division, Dominion Bureau of Statistics.

(Documents referred to by Mr Goldberg are printed as Exhibits 3 and 4, proceedings No. 3.)

Mr. Monteath Douglas, Executive Director, Canadian Tax Foundation, Toronto, Ontario.

At 1.00 p.m. the Committee adjourned.

At 4.00 p.m. the Committee resumed.

Present: The Honourable Senators Crerar, Chairman; Aseltine, Barbour, Burchill, Fraser, Gershaw, Golding, Haig, Horner, Isnor, King, Lacasse, Lambert, McDonald, Reid and Taylor.—16.

Mr. Monteath Douglas was further heard.

Two tables filed by Mr. Douglas were ordered to be printed as Exhibits 18 and 19.

At 5.00 p.m. the Committee adjourned to the call of the Chairman.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

THURSDAY, June 12, 1952.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before parliament for the fiscal year ending March 31, 1953, met this day at 11 a.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Gentlemen, will you please come to order? I have the information here asked for by Senator Aseltine as to the total cost of the improvements to the East Block. The total figure as reported by Mr. Murphy, Deputy Minister of Public Works, is \$962,388.

Hon. Mr. ASELTINE: Is that broken down?

The CHAIRMAN: Yes, there is a breakdown here.

Hon. Mr. ASELTINE: Does that cover everything pertaining to the rehabilitation of the building?

The CHAIRMAN: I understand it does. That was the information that was asked of Mr. Murphy, so I assume that is the information he has given us.

Hon. Mr. ASELTINE: That will do for the present; I would like the opportunity of examining the document you have.

The CHAIRMAN: The question is, do you want it spread on the record?

Hon. Mr. ASELTINE: No, I don't think so.

The CHAIRMAN: Very good. I will have it for your disposal afterwards.

We have with us Mr. Goldberg of the Bureau of Statistics. You will recall that some time ago there was circulated amongst the members of the committee the data of the national income and gross national product. These figures have been used a good deal in our discussions from time to time. We had hoped to have Mr. Goldberg here on a previous occasion, but time elapsed with other witnesses and we were not able to hear him. The figures which appear on the document we have before us will be explained by Mr. Goldberg.

I would hope that we could conclude Mr. Goldberg's examination in perhaps twenty minutes because we have Mr. Douglas, Director of the Canadian Tax Foundation of Toronto here to explain to us some information about the different kinds of taxes that are levied at all levels of government in Canada.

Hon. Mr. HAIG: I suggest Mr. Goldberg proceed and explain these figures to us.

The CHAIRMAN: Yes. We will call on Mr. Goldberg now. Perhaps he will explain what is contained in these figures, how they are made up, and how the Bureau goes about reaching the figures on national income and gross national product.

Mr. S. A. GOLDBERG, Director, Research and Development Division, D.B.S.: Mr. Chairman and honourable senators, in view of the limited time at my disposal I shall attempt to be brief and perhaps speak a little more quickly than usual in order to cover as much ground as possible.

Hon. Mr. HAIG: Take your time; we will give you time.

Mr. GOLDBERG: The two tables which you have before you are part of a more elaborate system of what we call the National Accounts, which the Bureau publishes every year. The National Accounts are exactly what the name suggests. You know in business a board of directors requires accounts for the purpose of appraising past operations of the business, as well as an aid in the formulation of policy decisions. Similarly, the figures which we produce in the Bureau are intended for these purposes. In the first place, they give you certain facts about the functioning of the National economy; and because of that, they enable special kinds of economic problems to be analysed in perspective of the national economy.

That is the main objective of the figures which you have before you. As I say, they are part of a more elaborate system, and if anybody is interested in the complete system may I refer him to our latest and most complete publication, "National Accounts, Income and Expenditures, 1926-1950", which contains in addition to a large number of tables, explanations of the concepts and methods of arriving at the figures.

The first question I shall attempt to answer is "What are these two tables?" In setting them up we started out by asking ourselves the simple question: What is the market value of goods and services produced by Canadian residents in a year? In the course of answering this question we tried to produce additional information which is considered useful. We answered the question in two ways. First, we began with a certain premise, that the market value of goods and services can be classified into costs of production. If we sum together all the costs of production we get what is equivalent to the market valuation of goods and services. These costs may be sub-classified; first, into so-called factor costs, and secondly, into non-factor costs.

You will recall from your elementary economics that we enter a particular year with a certain amount of resources that are called factors of production. The resources briefly are natural resources, capital structure and labour force of certain skills and certain composition. By getting the latter, the labour force, to work on the capital accumulated and the natural resources, there results a flow of goods and services. The payments to these resources, or as they are called, factors of production,—labour, land and capital—for their services are really the earnings which arise in the cost of production; these payments are the earnings of labour, land and capital. The total of these earnings is, simply, the national income. So that the national income is made up of wages, salaries and supplementary labour income received in the course of production of goods and services during the year; pay and allowances for services which the people in the armed services provide for us; investment income, which is payment for the service of capital, including risk capital; and net income of unincorporated business, both farm and non-farm: the latter is really a mixture of profits and wages; the wages are a return for the farmer's labour, and there is in addition the profits he gets as return on his capital investment. The same applies to unincorporated stores and other unincorporated business. The sum total is the net national income at factor cost.

In addition to these factor costs there are non-factor costs which are included in the market price of goods and services. These non-factor costs are, first of all, indirect taxes—they are an addition to costs—less subsidies, because subsidies are really a negative indirect tax, a contribution by the government to costs of production, resulting usually in a lower price. So we have to add indirect taxes less subsidies to get at market price; and, also, depreciation allowances and similar business costs. The market price of goods and services sold has to cover allowances for capital used up and similar costs such as bad debt allowances, and so on. By adding to the factor costs the non-factor costs which I have enumerated we get a total which really covers

the market value of goods and services produced by Canadian residents in the year, and we call the total arrived at in that way the "gross national product at market prices." This is one way of measuring the market value of goods and services. There is another way. You will all agree that what is produced must, generally speaking, either be sold or added to inventories. If so, surely we can arrive at the market value of goods and services produced by estimating all the sales in the economy and adjusting them for inventories. Now, if you turn to table 2 you will see there is a heading "Cross National Expenditure". You will see "personal expenditure on consumer goods & services": that is really sales to persons, sales of goods and services to persons. Then, "government expenditure on goods and services".

Then there is "gross domestic investment", including "change in inventories". Then you have "exports of goods and services".

So far I have enumerated four classes of sales: sales to persons, sales to governments of goods and services, sales to business on capital account—another way of saying it is "gross domestic investment"—and sales to non-residents, that is, exports of goods and services. Now, you will note that the sum total of these sales contains not only goods and services produced by Canadian residents but also imports of goods and services, that is goods and services produced by non-residents; and you will recall that our initial objective was to measure the market value of goods and services produced by Canadian residents. Therefore we have to deduct from the grand total of sales, "imports of goods and services", and you will see the next line after "exports" is "deduct imports of goods and services". The grand total of all these items gives us the market value of goods and services produced by Canadian residents, and we call it gross national expenditure.

The main reason why we took this approach in answering the initial question which I started out with is that, while measuring a total, we try also to provide information which is useful in shedding light on how this total was produced, what were the main forces which were responsible for its production. Another reason why we adopt this particular approach is that it provides us with an automatic check.

We are given the task of estimating the value of goods and services produced by Canadian residents, and since we have done that in two different ways, the two ways, since they measure the same thing, should give us the same figure. If they do not give us the same figure it is a reflection that there is a certain amount of error. We call the difference between the total we obtain by measuring goods and services by adding all costs, and the total that we obtain by adding all sales adjusted for inventories and imports, "residual error of estimate". If all businesses kept accounts on a uniform basis, and if they made that available to us, it might be possible to provide estimates without any error at all, but in fact we have to include in our figures transactions of businesses that do not all keep accounts on a uniform basis, and in addition businesses—small businesses in particular—that may not keep accounts at all, or, if they keep accounts, do not always make them available to us; and as a consequence we cannot have the dollar-and-cent precision that a business can have in its operating or other accounts. So we do have this "residual error", and it is displayed right in the main table. You will note that with reference to the over-all totals the error is small. What we do is split the error, putting one-half on one side and one-half on the other side, and in this manner we get balancing ground totals. By multiplying the figures under the heading "Residual Error of Estimate" by two, you will get an approximation to the total error, and in percentage terms it is very small.

Hon. Mr. BURCHILL: Before the witness goes on any further, is it permissible, Mr. Chairman, to ask questions here? My thick brain cannot take all this in. I should like to see if I could get any closer to it. Do we have to wait until the witness is through?

The CHAIRMAN: Will you make a note of your question?

Hon. Mr. BURCHILL: I have made a note of it.

The CHAIRMAN: Could you ask it a little later?

Hon. Mr. BURCHILL: All right, but it was just that we were on the point now.

The CHAIRMAN: If we start in firing questions at the witness we will be all confused.

Hon. Mr. EULER: We are now.

The CHAIRMAN: I think we should let the witness continue.

Mr. GOLDBERG: May I just make one comment, if I may? It is quite true that the actual working out of this framework is somewhat complex, but you will realize, I know, that every scientific field has developed complex structures which are built on foundations, the premises of which are really simple, the axioms are simple. I have tried to bring out some of the axioms, and I shall be very happy to try to answer any questions later on.

I think you will expect me to say a little about how these figures are made up, and what goes into them. Perhaps I may say that now.

The CHAIRMAN: Yes, as briefly as possible.

Mr. GOLDBERG: Yes. I shall give you a bird's eye view, and I shall try to give you a small eye of a very tiny bird. Perhaps we can just go through the headings, and I shall speak as the various points come to my mind.

"Wages, Salaries and Supplementary Labour Income". The basis of the information there is mostly from Bureau questionnaires and published information made available by governments on all levels, federal, provincial and municipal. I should say that for current years about 70 per cent of the total rests on this type of annual information and about 28 per cent of the total rests on information that is directly related to the movements and level of salaries and wages. For example, in this second case we may have a bench-mark based on a census, and then we may—

Hon. Mr. EULER: Excuse me, but what do you mean by a "bench mark"?

Mr. GOLDBERG: It is a starting point. In 1941, for example, the census gave us information as to wages and salaries paid in certain industries. This is information available on a complete basis only once every five or ten years, but in the meantime the Bureau has developed indexes of the same kind of figures which rest on a narrower foundation, for example, a sample of companies in a particular industry. By applying this index to the total we get the required figures in the other years. Since the 1941 figure is complete, we call it a bench mark. Two per cent of the salaries and wages are based on indirectly-related information. There are a few minor industries, such as beauty parlours and barber shops, and so on, for which we have very scanty information. We start out with a 1941 figure that is complete and we multiply this figure on the basis of an index which is indirectly related to the activities in these particularly small industries. So much for salaries and wages.

"Military Pay and Allowances". This is simple. The figures are provided to us by the Department of National Defence.

"Investment Income". This is made up of a number of items, the most important of which is corporation profits. There we have very complete information from the Department of National Revenue. They publish, as you know, a consolidated statement of the operations of all corporations. We make certain adjustments to suit our own purposes.

Hon. Mr. ASELTINE: How do you find out my investment income?

Mr. GOLDBERG: If you are part of a corporation—

Hon. Mr. ASELTINE: But I am not.

Mr. GOLDBERG: Is it individual investment income?

Hon. Mr. ASELTINE: Yes.

Mr. GOLDBERG: If it consists of dividends—

Hon. Mr. ASELTINE: It does not.

Mr. GOLDBERG: Let us go a little further. Supposing you get interest from some bonds.

Hon. Mr. McDONALD: We will get you there.

Mr. GOLDBERG: I am coming down to this matter from corporation profits. You have investment income and you receive some interest on bonds or bank deposits.

Hon. Mr. ASELTINE: Mortgages.

Mr. GOLDBERG: Very well.

Hon. Mr. ASELTINE: How do you find that out?

Mr. GOLDBERG: The information on mortgage interest is based on data which is not as complete as information of corporation profits. We make estimates of the total mortgage debts, and we base this on published information by insurance companies and other financial institutions, and also on information supplied by the Central Mortgage and Housing Corporation in their quarterly bulletin on housing in Canada.

Hon. Mr. EULER: Have you access to the income tax records?

Mr. GOLDBERG: No, not the actual returns but to the publication which is available to the public at large. The publication is called "Taxation Statistics". It is a public publication. If I may return to the question on mortgage interest, having a total of debts we make estimates on the basis of census information as well as on the basis of whatever pieces of information we can gather, including the opinions and knowledge of experts experienced in the field—we had interviews with them—of the proportion of the debts held by individuals. This particular step is rather difficult. We may be out by a certain percentage. On the other hand, the figure involved is small compared to the total. We only want to include in Investment Income interest of individuals, such as yourself, on mortgages they hold, and not interest which accrues to corporate bodies, because the interest that accrues to corporate bodies is already included in Investment Income through corporation profits. Investment income of life insurance companies on behalf of the policy holders is obtained from the records made available by the life insurance companies; if the life insurance companies hold mortgages, the interest which accrues on these holdings is included with the investment income of insurance companies, which is part of the item under the same name in the table before you.

Now we do not want a double count. Therefore in getting at the class of individuals such as yourself we exclude from the total debt holdings, holdings of non-individuals, so to speak, and we apply a rate of interest to the estimated holdings of individuals. We make an estimate of the rate of interest on the basis of the best data that we have, but unfortunately this is a field in which there is very little primary information. And again I want to remind you that it so happens that this particular figure is small relatively—I do not remember off-hand how much it is, maybe between \$30 million and \$50 million. Well, if you have a figure of \$3.6 billion of total investment income you can see that even though we may make a significant error in our estimate of this particular item, the over-all magnitude is not affected significantly. That is the reason why I emphasize that the figure of corporate profits, which make up the large proportion of the item in the table called Investment Income, is based on very solid information. Does that answer your question, sir?

Hon. Mr. ASELTINE: Yes, that is good enough.

Mr. GOLDBERG: Well, I have taken you through investment income. There are other elements involved there, if you wish me to deal with the matter at greater length.

The CHAIRMAN: No, I do not think we have the time for that.

Hon. Mr. HAIG: I would like to ask one question. How do you get at the farm income?

Mr. GOLDBERG: That is the next item, "Accrued net income of farm operators from farm production." Now, farm income figures are based on estimates made by the Agriculture Division of the Dominion Bureau of Statistics, and they are made up as follows. In a number of sectors we have to make up a sort of operating account for all the individuals who comprise the particular sector. In the case of corporations, this is done for us by the Department of National Revenue, who give us consolidated totals for all corporations. But when it comes to farm operators, the Agriculture Division of the Bureau has to do that, on the basis of all the miscellaneous information that is available to them. There are three steps in the estimates. First of all, they start out with gross cash income; and they add to this changes in inventories on the farms, and food and other "in kind" income, items which are produced and used up on the farm. This gives us a total of the gross income. Now, what are the sources of this information? There are different sources for different types of products. For grains, for example, there are marketings from the Board of Grain Commissioners for the Prairies and partly for Ontario and British Columbia. Then they get data for the other provinces from their census of agriculture, as well as information on car loadings, and they use this information to get an approximation of marketings of grain. When it comes to livestock, they have at their disposal information from the census of agriculture of the Dominion Bureau of Statistics. And, as you know, they have semi-annual surveys—I think they are made in June and December—of marketings of livestock. And in these surveys they get information not only of the inspected marketings but of non-inspected marketings as well. In addition to this they have information from the federal Department of Agriculture on numbers of livestock. And they use this information, plus price data which they get on a basis of a sample survey that they make by sending out questionnaires direct to farmers. Bringing these pieces together, they get a good approximation of the movement in cash income.

Hon. Mr. McDONALD: Do you know how they make up the list of farmers to whom questionnaires are sent?

Mr. GOLDBERG: No, I cannot tell you that sir, with confidence, but my belief is that they ask the farmers who want to co-operate to do so, and they now have quite a number of co-operating farmers. I think that is the way it is done, but I am speaking from memory.

Now, having the gross cash income, the change in inventories and income "in kind", which information is made up from the sources I have mentioned and other sources, they deduct an estimate of operating expenses. Now here again the information is based on numerous sources available to them. For example, a number of the Bureau sections publish data on sales of fertilizers, farm machinery, and so on, and they use this information to make an estimate, together with data on taxation and depreciation. The tax figures come from the statistical summary of the Bank of Canada. By using this miscellaneous information they make an estimate of operating expenses, and by deducting the estimated expenses from the estimated gross income they get a figure of net income. Now, we adjust this figure of net income, because they do not include in their published figures the undistributed profits of the Wheat Board, on account of farm operators. Since we wish to have figures which portray production we add to that these undistributed profits, and that is the reason why we use the term "accrued". Undistributed profits of the Wheat Board accruing on behalf of farm operators are included in our figures.

Hon. Mr. HAIG: That is all I want to know on that matter. I think, Mr. Chairman, that we have had a very full explanation.

The CHAIRMAN: There are one or two questions.

Hon. Mr. HAIG: Yes, but I think his explanation shows how they go about this thing.

The CHAIRMAN: Mr. Goldberg, I think the committee accept your figures, and I am sorry that we are rather pressed for time this morning. May I ask you one question? Will you explain to the committee the difference between national income and gross national product?

Mr. GOLDBERG: National income measures all earnings in the economy which arise in the course of the year's production of goods and services. It measures them on a net basis, which means that depreciation and similar capital costs are deducted from the profits which are included in the national income. The gross national product is simply the national income plus two other items. One of them is depreciation. That is why we say "gross national product". It is gross to the extent that it includes depreciation and similar capital costs. The other items which is included in the gross national product and not in national income is indirect taxes, less subsidies. Since the national income measures only earnings, indirect taxes are not included, because they are not earnings of factors of production. And as they are not included in the national income they have to be added, in order to reach a total which measures the market value of goods and services. That is why we say "gross national product at market prices." It is these indirect taxes which make it at market prices; and it is the depreciation allowances which make it gross.

The CHAIRMAN: May I put a practical question to you? The farmer has certain buildings and machinery, and when he comes to make up his tax return he takes into consideration the gross income from the sale of his products such as livestock, seed, grain, milk and so forth. He knows that his buildings, equipment and machinery have suffered from loss during the year, and to arrive at his net figure he takes depreciation off the gross figures. Is that a practical illustration of what you do?

Mr. GOLDBERG: In principle, that is what we do. I should like to add one comment if I may: To the extent that the farmer purchasing goods and services from other industries, these industries rather than the farmer will be credited with the resulting income.

The CHAIRMAN: Quite so, but what I am trying to get at is the effect of depreciation on the gross national product.

Mr. GOLDBERG: That is right; the depreciation is excluded from the net national income, and then is added back to get the gross national product.

Hon. Mr. BEAUBIEN: Mr. Chairman, do I understand that the indirect taxes have been deducted from the gross national product at market prices?

Hon. Mr. HAIG: No, it has been added on.

Mr. GOLDBERG: Added to the national income. You start out with the line at net national income and factor cost. "Factor Cost" really means the value of the products at a certain stage. You have not yet got to the stage of indirect taxation. Then you add indirect taxes below, and you get the market price.

Hon. Mr. HORNER: Mr. Goldberg, you have mentioned beauty parlours and barber shops particularly, but is it not so that in the case of small restaurants and other little businesses throughout the country it is difficult to find their true earnings?

Mr. GOLDBERG: You are quite right, sir. The national income system rests on the basis of the assumption that the country has accepted an accounting system, and that the individual uses accounts. To the extent that individuals in

all lines of endeavour have actual accounts or approximations—a lot of small businessmen, who do not have accounts, do have a good notion of their income and expenditures—to that extent we get good records or information through questionnaires.

Hon. Mr. BAIRD: Is the questionnaire sent out on a voluntary basis, to be filled in or not as the individual sees fit?

Mr. GOLDBERG: In some cases we have voluntary surveys, but in many cases the Statistics Act requires them to fill out the questionnaire. They have legally to do so, unless we specify that the particular survey is on a voluntary basis. I can give an example: For some time government and business people have asked us to produce national income and expenditure figures on a quarterly basis. That is a most difficult task, for we have to have the raw material before we can build up the information. But the demand was so great that we had to yield to it. In this connection we introduced a quarterly survey of profits. Because of the difficulty in getting a quarterly figures on corporation profits, and we did not want to put the corporation to any extra expense to oblige us, we made this on a voluntary basis. We made this specific in the letter, and I may say that the response was very good.

Hon. Mr. REID: Mr. Goldberg, I have two questions. The first has to do with labour. Does the quarterly account you mention deal with farm labour? For instance, when a farmer makes out his income return, does he put down a cost for the labour of his family or his wife? Have you anything to show that cost?

Mr. GOLDBERG: That is a very good question, Senator Reid. Do you want to ask your second question now?

Hon. Mr. REID: The second question has to do with the product of the farmer. I will take eggs for example. We will say that eggs are sold at thirty cents a dozen; they move along to the wholesaler where they are sold for forty cents, and later the retailer offers them at fifty cents. There is that spread of twenty cents between the producer and the consumer. How is that accounted for?

Mr. GOLDBERG: In connection with your first question, you are quite right that the net income of the farm operator includes—and I must use a technical word for the lack of a better one—imputed amounts for his labour. You may recall that in the course of my explanation I referred to the net income of unincorporated business, including farm operators, being made up of (a) profits, return on the capital invested and (b) the labour he puts into it. In connection with the farm operator, the latter is quite important, and we have no way of disassociating the two. That is the reason we have a mixed item here, because we could not find a statistical basis which was reliable enough to separate the two.

In connection with your second question, when we estimate the income of the farmers we estimate the amount that he actually gets. If he sells eggs at thirty cents a dozen, and makes a profit, say, of one cent only, he is credited with only one cent; the balance is spread out and will be credited to the wholesaler and retailers, or the particular channel from which the consumer buys the eggs.

If I may refer you to our publication, you may be interested in the table set out at page 50 in "National Income by Industry". This gives you the contribution of different industries to the national income; agriculture is one of them, and you have also there wholesale and retail trade.

Hon. Mr. REID: Is there any danger of duplication, in adding on the profit at two or three stages?

Mr. GOLDBERG: I can assure you this is one of the problems that I am concerned with because duplication is something we know must be eliminated from our figures, otherwise they may be misleading. The procedures which I have outlined show how we value goods and services two ways. We have an automatic check as to the likely degree of error. If we find the residue error is large, we again go through our work sheets. We have an elaborate system of checking to bring out inconsistencies; and very frequently when the error is large, it flows from some kind of mechanical error. We have this instrument for guarding against duplication. In theory there should be no duplication in our figures.

Hon. Mr. McDONALD: Mr. Chairman, I do not suppose we have time to hear the breakdown of these headings? Can we get that breakdown in this book to which Mr. Goldberg referred?

Mr. GOLDBERG: "National Income by Industry?"

Hon. Mr. McDONALD: Yes.

Mr. GOLDBERG: Do you wish me to table this?

Hon. Mr. McDONALD: Can we get the information from the book?

Mr. GOLDBERG: If you would like me to, I will send you a copy personally.

Hon. Mr. HAIG: Mr. Chairman, I know all this is intensely interesting, but we have still a large part of the program to hear today.

The CHAIRMAN: This presentation has taken somewhat longer than I had expected, although I am not criticizing Mr. Goldberg. He has given us a most interesting explanation.

Hon. Mr. HAIG: Very valuable.

Hon. Mr. BURCHILL: I had just one question which I posed at the start. May I ask it now?

The CHAIRMAN: Surely.

Hon. Mr. BURCHILL: Just to get this thing clear. Suppose Mr. Goldberg and I go in business; we form an incorporated company and we make \$100,000 profit after all expenses. We pay out \$25,000 of that in dividends to our stockholders, if we have any; we put \$75,000 in reserve, or in surplus. I take it that the \$100,000 profit is the net income that we make? That would be the net income, would it not? Now you have the \$25,000 here: what about the surplus that still remains in the business? That is not shown; is not that part of the national income of the country?

Mr. GOLDBERG: Yes, sir, it is. You see, we do not put in the \$100,000 and the \$25,000, we put in the \$100,000 and we do not put in anything else at that point, for the simple reason that if we included the dividends also we would be double-counting. In other investment income received by individuals we do not include dividends received by individuals, we only include interest and net rents, because the dividends are already taken care of in the corporation profit total.

Hon. Mr. BURCHILL: I see: you take—

Mr. GOLDBERG: The whole profit. There is one foot-note—I hope this will not be too complicated—that I should like to add. Supposing, to use your illustration, you make me a shareholder, and there is another stockholder in the United States to whom we had to pay \$10,000 in dividends. This would be deducted from the investment income, from the corporation profits, because we are interested here in making an account of the earnings of Canadian residents only.

Hon. Mr. BURCHILL: Well, now, in this list on page 1, under what heading is that? We have the income of unincorporated business, we have investment income. Where does the income of incorporated business come?

Mr. GOLDBERG: Under "investment income". If you wish to have details of it—

Hon. Mr. BURCHILL: Oh, no, no. I just wanted to know this. That is all right. So the whole amount goes in there.

The CHAIRMAN: Well, now, we would very much like, Mr. Goldberg, to have you here for another hour, but we are working against time this morning.

Hon. Mr. ISNOR: I want to ask Mr. Goldberg whether he is the gentleman, the witness, to whom I should direct a question in regard to the issuing of the cards for the information sought by the department.

Mr. GOLDBERG: Cards?

Hon. Mr. ISNOR: You send out cards, questionnaires.

Mr. GOLDBERG: Oh, questionnaires? Well, our divisions have their own particular areas of statistics.

Hon. Mr. ISNOR: I have in mind employment.

Mr. GOLDBERG: No, we do not deal with employment statistics. Another Bureau division deals with them.

Hon. Mr. REID: Just one further question: why do you keep "fishing and trapping" together? Is fishing not important enough to have a column by itself?

Mr. GOLDBERG: No. I agree that fishing is a very important industry, and if we could statistically fish it out from the fishing and trapping we would do so. The reason we have them together is this: we are well aware of our responsibilities. The data which we publish are very frequently used by business or government agencies for decisions which may be extremely important. Therefore, when we publish statistics we want to be able to endorse them without qualification, that they are correct as far as we know. For that reason we do not publish more detail than we feel we can statistically support. With the more general development of the statistical system we hope to be able to publish more detail, and at that time we may be able to separate fishing and trapping.

The CHAIRMAN: We give our thanks to Mr. Goldberg for coming here this morning, and say good-bye to him, and possibly on some future occasion we may have him here again.

Hon. Mr. HAIG: Thank you.

The CHAIRMAN: Very good. If the committee will come to order we will make a distribution of the brief prepared by the next witness, Mr. Monteath Douglas. In length, Mr. Douglas, it looks rather formidable.

In introducing Mr. Douglas to you, I may say that he is the Director of the Canadian Tax Foundation, whose head office, and perhaps its only office, is in Toronto. The Canadian Tax Foundation was organized some five years ago?—

Mr. DOUGLAS: Yes, nearly six years ago.

The CHAIRMAN: —under the aegis of the Canadian Bar Association and the organization representing the chartered accountants. The purpose of this organization was to inquire into the incidence of taxation on Canadians, and generally speaking, all the problems relating to taxation imposed by governments at all levels on Canadian citizens. Am I correct?

Mr. DOUGLAS: Not quite, sir. I think I would state it otherwise.

The CHAIRMAN: Very well: you state it yourself.

Mr. DOUGLAS: The problem of tax incidence does come within our range of interest, but it would not be a correct statement to say that the Foundation was set up in order to investigate that subject. Indeed, we have not yet made

any study of tax incidence for reasons I shall explain. I would put it otherwise, rather, by saying that the Foundation was founded by the two professional organizations to undertake and encourage study and research in taxation involving the study of any piece of tax legislation anywhere in Canada, with a view to doing what we can to learn more about the operation of the tax system, producing recommendations for improvements in it, and contributing so far as we can to a better-informed public understanding of the whole subject.

These purposes have regard to the fact that the gentlemen who conceived the idea of the Foundation towards the end of the war appreciated that the level of taxation would continue to be very heavy, that heavy taxation involves increasing complexity, and that there would be some advantage in an independent organization, not in any sense representing any special group of taxpayers, which could study the operation of tax laws from the standpoint of the public with the same responsibility and, I hope, the same competence, as the officers who have to advise governments in various jurisdictions. Tax incidence, therefore, is indeed within our range of interest, but it was not the primary purpose of setting up the Foundation.

Hon. Mr. HAIG: How is it supported?

Mr. DOUGLAS: It is supported by contributions primarily from the business community, by corporate subscriptions. In that connection perhaps I should add, sir, that no contributions are accepted from anybody if any strings are attached regarding our work or the way in which the money is used, except of course the contributors' satisfaction that we are doing our job properly.

Hon. Mr. HAIG: And you report each year to?

Mr. DOUGLAS: To our own members.

Hon. Mr. EULER: How do you get that before the public?

Mr. DOUGLAS: We get it before the public through newspapers in so far as newspapers are interested in the subject matter of our reports. If it would be of interest to members of the committee, I have some copies of our last annual report, which is informative because it reviews the first five years of operation of the organization. It was set up originally on a five-year experimental basis, and this report was published last March. I thought that perhaps if any member wished to have further information, this report would be the best way to provide it.

Hon. Mr. EULER: Do you make recommendations to the government?

Mr. DOUGLAS: Yes, I think with some success. We do not expect, having regard to the constitutional principle of responsibility for tax changes, that any government is likely immediately to submit to parliament any amendments of tax laws on the strength of our recommendations.

Hon. Mr. EULER: You are not quite that optimistic.

Mr. DOUGLAS: What we do hope, and have found, is that recommendations that we may make and material that we may publish, enter the process of discussion and consideration of tax legislation and influence the result, constructively, I hope, and sometimes identifiably.

Hon. Mr. McDONALD: Mr. Chairman, perhaps the witness could now follow his prepared statement and there may be some questions after that?

The CHAIRMAN: That is what I was about to suggest.

Hon. Mr. LAMBERT: Before Mr. Douglas does so, following what he has said, I think it is only enlightening to say that the suggestions that were made by his organization—I do not know if he was connected with it at the time—before the Senate Committee on the revision of the Income War Tax Act, which has been replaced by the present Income Tax Act, was of considerable value. I think certain recommendations, whether it was coincidental or not, were certainly adopted.

Mr. DOUGLAS: I would not wish to take credit for anything we are not entitled to. I believe that you are referring perhaps to representations made by another organization before ours existed.

Hon. Mr. LAMBERT: It was the Tax Foundation, supported mainly by the Chartered Accountants Association and the Bar Association.

Mr. DOUGLAS: Yes, that is right. I was thinking of the earlier inquiries which took place in 1944-5 by a Senate Committee.

Hon. Mr. ISNOR: Are you an accountant?

Mr. DOUGLAS: No sir, nor a lawyer.

Hon. Mr. HAIG: He has a good standing with this committee then.

The CHAIRMAN: Mr. Douglas, will you proceed with your brief?

Mr. DOUGLAS: Mr. Chairman and gentlemen of the committee, in response to your questions to the Canadian Tax Foundation, we felt that we should submit these observations in writing because the subject matter is rather complicated, and a written statement will perhaps facilitate the committee's consideration of what we have to say. May I suggest before starting that the two tables attached to the back of these copies should simply be detached so that they can be referred to as we go along.

The Canadian Tax Foundation was originally asked to submit to this Committee, if possible, a statement of all the taxes paid by three typical Canadian taxpayers; married with two children, having annual incomes of \$3,000, \$5,000 and \$7,000, the statement to include taxes levied by federal, provincial and municipal governments. I regret that we cannot produce such a statement because the Foundation has not yet been in a position to make a study of tax incidence in Canada, although we have plans to do so. Perhaps I should add at once that no amount of study of this question would in fact enable anyone to answer it with clear-cut certainty and precision. The most that could be done would be to reach informed conjectures based on the ascertainable facts, and on the least disputable assumption concerning the economic behaviour of taxpayers themselves, at a given time. No problem of economic analysis presents greater difficulties as the price of obtainable results. These considerations, coupled with the high financial cost of the work that would have to be done, explain why the Foundation has not yet undertaken it.

On the other hand, I believe we can throw some light on the matter by turning the question round and discussing: Who pays the taxes? This is the purpose of the present memorandum. The attached Table 1 lists all taxes in Canada that are significant by reason of revenue yield or general application, dividing them by jurisdictions. We can consider each of these taxes in turn from the standpoint of who pays them, although the conclusions in each case are not equally clear. This treatment will not supply a quantitative answer to the Committee's original question, but it will demonstrate the operation and impact of the tax system in a general way. While we shall have to disregard the stated cases of the three assumed taxpayers at given income levels, we can substitute and keep in view the fictitious figure of "the typically situated taxpayer", summing up our conclusions at the end in terms of his probable experience.

This discussion will be as concise as possible, and therefore cannot be complete or conclusive. I hope the Committee will accept it simply as an introduction to further questions that it may suggest.

The General Problem of Tax Incidence

Before considering particular taxes in turn it may be well to emphasize and keep in mind three features of any multiple tax system that affect its apportionment between taxpayers, as regards both the intention of government policy and the problem of ascertaining actual results.

1. *Source of Taxation.* While government accounts and constitutional provisions respecting tax jurisdiction distinguish between different sources and fields of taxation, there is only one tax source: namely, the personal income of the individual citizen, current or accumulated. The operative principle of all taxation in a free society is uniformly the same, and consists of the imposition of enforceable charges by government on certain activities or assets of its citizens as the condition of their performance or enjoyment. This applies, for example, to earning a living in the country of one's choice, owning a house or a car, entering the market as buyer or seller, transmitting property, and so on. Consequently, on the government's side of the matter the central objective is or should always be to ensure (a) that these fiscal conditions can be enforced, but at the same time (b) that they do not excessively discourage the activities at which they are directed, unless they are intended to do so. These principles necessarily dictate diversity of tax methods. On the taxpayer's side, the central question is whether taxes reduce his income directly without reference to the way he spends it, or indirectly by diluting his purchasing power with reference to particular objects of expenditure. In either case personal incomes, understood in the widest sense, are the source of all tax revenues.

2. *Liability of Taxpayers.* Taxation assessed directly on personal incomes cannot be extended economically beyond certain administrative limits determined by experience, which restrict the personal income tax in Canada today to less than half the earning population. All taxpayers on the other hand are subject in some degree to indirect taxation, on which the government is obliged to rely in order to extend the whole tax system equitably to include that part of the population which cannot be assessed under the personal income tax. Thus the general sales tax which has been much improved from the standpoint of equity by the introduction of substantial exemptions and by the operation of family allowances, can properly be regarded as a necessary supplement to the personal income tax, operating to assess all taxpayers impersonally by reference to their expenditure and to cover in particular all those who cannot be assessed personally and directly on their incomes. There are, of course, other indirect taxes as well, some of which leave the taxpayer wider freedom of choice regarding his liability. By contrast with the personal income tax, all indirect taxes have the disadvantage that the actual pattern of payment cannot be determined without reliable information concerning people's spending habits. Such information is notoriously difficult to secure. This difficulty increases down the income scale where different habits of expenditure increasingly prevail between various sections of the community and between urban and rural living conditions, until a point is reached where the figure of the "typical taxpayer" has no meaning.

3. *Tax Shifting.* Every tax expert exerts pressure which the taxpayer, if he is a producer of goods or services in a free economy, can be expected to pass on through the price system in so far as he adverts to it and can do so. Wide disagreement exists between people who have studied the matter, even with the benefit of grossly simplifying assumptions, as to the ways in which different taxes may be passed on and the extent to which this actually occurs. Some reasonable generalization can be made in certain situations. After that, the problem disintegrates into questions of economic capacity and behaviour varying with the taxpayer's competitive position and bargaining power and the state of trade.

In any discussion of tax-shifting it is necessary to distinguish between the ideas of *incidence* and of *consequential effects*. By incidence I mean, where does the tax fall? Incidence is not necessarily a matter of initial payment, for the enforceable liability may be attached, as in the case of the general sales tax, to a person who is clearly situated as the intended collector rather than the

intended taxpayer. On the other hand, determination of incidence cannot be carried over indefinitely into the dubious range of secondary effects, as in the case, for example, of an employee who obtains higher nominal remuneration in consideration of his income tax position, the employer in turn increasing his prices to his customers. For purposes of the following discussion we assume, as a convenient general rule, that the incidence of a tax rests with the person who cannot ordinarily get rid of it by passing it on quickly and directly to someone else.

These three points,—the source of taxes, the liability of taxpayers, and the question of tax shifting,—underlie our consideration of who pays the taxes enumerated in Table 1, and their introduction here will make it unnecessary to repeat them. At the same time, they serve to illustrate some of the problems and limitations encountered in any general study of tax incidence. Perhaps they will demonstrate in particular that such a study is not primarily a matter of statistical research. This conclusion was emphasized in a survey undertaken twelve years ago in the United States,* as follows. "Even the most complete statistical material can never measure the incidence of taxation. The incidence of taxes can be derived from figures of tax payments only on the grounds of theoretical reasoning and conjecture." To this observation I might add my own comment that findings in this matter run the risk of being accepted as clearly minted truths by people who do not understand their questionable character, and of being rejected by those who do. But notwithstanding this double embarrassment such studies are undoubtedly worthwhile because informed estimates are a good deal better than random guesses, and we hope to proceed with our own plans in this direction when we can do so. We have attached to this memorandum as Table 2 a reference list of tax incidence surveys carried out in the United States and the United Kingdom of which we have direct knowledge, in case the Committee should wish to consult them with a view to the method employed.

Who Pays the Taxes?

We come now to the substance of the matter. In cases where the operation of a tax introduces controversial questions we confine our comments, as a condition of concise treatment, to the opinions that seem to us to be most probable.

The taxes listed in Table A are discussed separately and in turn. As far as possible, Mr. Chairman, I tried to follow the order of the table itself, but as the discussion proceeds it will be seen that in dealing with certain taxes we have bracketed with them certain others which we assumed operated in the same fashion. Consequently, the itemization of this statement does not coincide exactly with the itemization of the table, but they are keyed to the original numbers. In each case I will mention the name of the tax, and designate the number under which it is listed in the table.

A. 1. Personal Income Tax

There is no problem of determination, given the taxpayer's income circumstances, and the personal income tax can be regarded as falling on the person who pays it, operating to reduce his income directly even though he may redress his position subsequently on a higher nominal scale of remuneration.

In the 1949 taxation year, the latest year for which all figures are available, 2,232,970 Canadians paid personal income tax in the total amount of \$501,000,000 on aggregate incomes declared of \$6,431,000,000. In the current fiscal year, 1952-53, the forecast of revenue from this source is \$1,200,000,000. The number of taxpayers and the amount of aggregate taxable incomes will be

* TNEC Monograph No. 3, "Who Pays the Taxes" by Colm and Tarasov, 1940.

higher than in 1949, but as the basic exemptions have not been reduced it can be assumed that the proportion of the whole earning population paying income tax has not changed very significantly.

The personal income tax is therefore very far from being a universal tax. As matters stand following the recent Budget a married man with two dependents pays no tax, net after family allowances, if his gross income is less than \$3,147. The tenable level of basic exemptions, which fall in value as costs of living rise, limits extension of the tax down the income scale, and its steeply progressive operation limits further intensification upwards. In illustration of the latter conclusion, a taxable income of \$15,000 now marks the point at which half or more than half of any additional earnings from personal exertion must be paid in tax, the marginal rate continuing to rise sharply thereafter. As of 1949, all incomes in the country in excess of \$15,000 amounted to \$441,000,000 before payment of taxes thereon, or less than 7 per cent of all incomes assessed for that year. These figures demonstrate that the personal income tax is now operating virtually at the limit of its actual fiscal capacity, irrespective of the attitudes and position of individual taxpayers themselves up and down the income scale, and that it can no longer be regarded from any point of view as a major source of additional revenue for any purpose, even on the extreme hypothesis of full confiscation of large incomes. Maximum yield henceforth depends on the underlying level of incomes.

A. 2. *Corporation Income Tax*

In form this is a direct tax, but in fact it is not, because an incorporated business has no independent tax-paying capacity apart from that of its shareholders, customers or employees. How the tax should be allocated between these three parties at interest has probably engaged more controversy than any other current problem of tax analysis, and opinions of business men themselves are divided.

It is clear that no simple or conclusive answer is possible because situations differ both as between different types of business, and between competitive conditions, markets, business sentiment and the state of trade. There is no doubt that much of the immediate impact of an increased rate of tax falls on shareholders with respect to possible dividend distributions, and that shareholders are also affected in the long run by reduction of retained earnings available for reinvestment. These effects operate to reduce shareholders' income before it is realized or received, and their logical analysis would require imputation of retained corporate earnings to shareholders' income, which would be a fictitious procedure. But the effects are real enough. Whatever assumption is adopted regarding the burden on shareholders, a large part of this burden—probably at least one-half—must be attributed to shareholders resident in the United States and elsewhere, and is therefore exported.

There are equally valid reasons for concluding that a substantial part of the tax is shifted forward in the course of time at the expense of customers. This is conspicuously true of public utilities where public control of rates recognizes the effect of the tax on the permissible return on invested capital. A similar process of adjustment can be assumed to operate, though perhaps imperceptibly and more gradually, in many other industries.

Some economists hold the view that the tax is also shifted backward to employees, again, as in the case of shareholders, by preventing increased income which would otherwise materialize.

A conclusion in this matter can only be reached by making more or less arbitrary assumptions. In a recent tax incidence survey in the United States, by R. A. Musgrave and Associates, it is assumed after consideration of alternatives that in the standard case one-third of the corporation income tax is

borne by consumers, one-eighth by employees, and the remaining fraction, slightly over one-half, by the shareholders. Without attaching more cogency to this calculation than its authors intended, we can perhaps infer that conditions in Canada are not very different in this respect, so that the typical Canadian taxpayer pays a significant part of this tax unavoidably as a consumer, conditionally as a shareholder, and more doubtfully if he is an employee. The essential fact to be kept in view is that the corporation's position in the matter is only that of a paying agent, the tax being paid by the Canadian people in one capacity or another as a direct or indirect reduction of real income, and by shareholders and customers abroad.

B.1. *Provincial Corporation Income Tax*

The above conclusions apply likewise.

A.3. *General Sales Tax*

We adopt the commonly accepted view as a general rule that the federal sales tax in Canada is intended to be paid and is actually paid by the final consumer, although there is evidence that all producers cannot always pass it on in full.

The consumer, however, is affected in two ways. He obviously pays the tax when it applies directly to goods that he buys, and insofar as he may advert to the tax and refrain from buying he may be said to have some freedom of choice about paying it. At the same time, some proportion of the tax is paid on goods finally bought by producers, becoming a factor of cost in their operations (e.g., trucks and tires, railway equipment, office equipment). In a study made for the Foundation last year by Mr. John F. Due, 31 per cent of the total sales tax base was attributed to producers' goods. With respect to this element of the tax, the typical taxpayer must bear his share of it inadvertently with no freedom of choice because it enters unavoidably his cost of living.

The Committee will be aware of the exemptions introduced under the sales tax to minimize its impact on certain basic living costs. The effect of these exemptions is illustrated by a recent calculation that the yield of the tax would be increased by about 75 per cent if they were withdrawn. You will also recall calculations respecting the incidence of the tax made by the Department of Finance and mentioned by the Minister in his Budget Speech on April 10, 1951. Summarized, these calculations indicated that in the lowest income groups only about one-quarter of total income is spent on goods subject to sales tax; at the \$3,000-a-year level about one-third of the family income is so spent, and this position carries through beyond the \$6,000-a-year level, easing off thereafter as the income tax begins to be sharply progressive. These calculations would differ slightly, showing an impact more proportional to income, if separate reference is made to the effect of the tax through producers' goods pointed out above. On either basis, they support the view suggested earlier in this memorandum that the sales tax operates necessarily and not unfairly to reach the large part of the population whom the personal income tax does not cover.

There is substantial evidence that the burden of the sales tax is increased by "pyramiding", though the appearance of this factor may be exaggerated by observations of initial price adjustments without consideration of secondary adjustments brought about by competitive forces. Our own study of this question should go further before we would be prepared to generalize on a typical mark-up ratio. It should also be observed that the same factor will necessarily operate in the same way with respect to any tax, or portion of tax, that enters into the selling price of a product at the manufacturer's level.

A.4. *Excise Taxes*

The same considerations regarding incidence apply as in the case of the General Sales Tax, except that excise taxes do not apply to producers' goods

and are therefore not diffused inadvertently in the manner described above. The element of taxpayer's choice is presumably more significant because excise taxes are more prominent.

B.4. Provincial Retail Sales Taxes

C.4. Municipal Taxes

Where levied, these taxes operate on the taxpayer's income in the same way as the General Sales Tax, respecting both consumers' and producers' goods. Being levied at the point of sale to the final consumer, the tax itself is not pyramided by the price mark-up process at successive stages of distribution, but it does operate as a "tax on a tax" to compound any element of taxation already incorporated in the price of the article to which it applies.

A.6. Customs Duties

From the standpoint of incidence customs duties can be bracketed with the General Sales Tax, having both specific and diffused effects on the taxpayer. Broadly speaking, the taxpayer can be assumed to contribute according to his annual consumption expenditure.

A.5. Excise Duties (Alcohol and Tobacco)

B.5. Gasoline Tax

B.6. Provincial Liquor Control

B.7. Auto Licences and Fees

B.8. Amusement Taxes

It is appropriate to classify these taxes together as sumptuary levies on specific objects of consumption, in which the taxpayer has a genuine choice and can be assumed to be fully aware so far as his personal enjoyment is concerned. But with respect to revenue from motor vehicles and gasoline a large part represents a cost of production of goods and services which should be allocated as an unavoidable charge on the typical taxpayer's income, in the same manner as the General Sales Tax on producers' goods.

A.7. Succession Duties (Federal)

B.3. Succession Duties (Provincial)

A.8. Withholding Tax on Non-Residents

While these items must be included in the tabulation of taxes in Canada, we believe that they can be disregarded for the present purpose, particularly in view of the \$50,000 exemption under the Succession Duty Acts. In regard to Succession Duties the taxpayer is, of course, the beneficiary, although legal and psychological arguments may point to the testator.

B.2. Other Provincial Corporation Taxes

C.2. Municipal Business Taxes

These taxes are a cost of doing business and can therefore be assumed in general to raise the prices of goods and services produced. The typical taxpayer is probably unaware that he pays them.

C.1. Real Property Taxes

Taxes levied on real property fall into two classes: taxes on land, and taxes on improvements. The tax assessed on land is generally considered to rest upon the owner, subject to the consideration that it may be capitalized on sale of the property so that a new owner may come in "free of tax". The tax assessed on improvements is considered to be passed on to tenants (an owner-occupier paying both taxes). In so far as the owner pays the tax himself, it operates to reduce his income directly in the same way as the personal income tax, and he is no doubt equally aware of it. In so far as it is shifted to tenants it becomes a hidden component of the cost of living.

Real property taxes paid by business firms become a cost of operation analogous to the municipal business tax and miscellaneous corporation taxes (other than corporation income tax), and can be regarded as being passed on to consumers in the price of products.

Mr. Chairman, that survey summarizes our views as to the impact of the taxes listed in this table on the average Canadian taxpayer; and, because the picture is necessarily rather diffuse and complicated, we have summed up these observations under the following recapitulation.

Recapitulation

The foregoing conclusions regarding the mode of impact of different taxes on the typically situated Canadian taxpayer can be summarized as follows, no quantitative measurements being available for the reasons previously stated. Where the same tax is believed to operate in more than one way its several effects are shown separately in part. Succession Duties and the Withholding Tax on Non-residents are disregarded.

A. Taxes directly reducing the taxpayer's income:

Personal Income Tax,	depending on income circumstances.
Municipal Real Estate Tax,	depending on ownership and occupancy of real property.
Corporation Income Tax	operating to reduce income before it is determined—in part significantly, if taxpayer is a shareholder; in part questionably, if he is an employee.

B. Taxes indirectly reducing the taxpayer's income:

(1) *By addition to prices of specified goods and services, depending on taxpayer's consumption. (Taxpayer has some choice.)*

General Sales Tax,	in part, respecting purchases by final consumers.
Provincial Retail Sales Tax, (where applicable)	in part, respecting purchases by final consumers.
Excise Taxes	
Customs Duties,	in part, respecting specific effects.
Municipal Real Estate Tax,	in part, respecting rented homes.
Auto Licences and Gasoline Tax,	in part, respecting purchases by final consumers.
Liquor and Tobacco Taxes	
Amusement Tax	

(2) *By addition to prices of goods and services in general, regardless of taxpayer's consumption. (Taxpayer has no choice.)*

Customs Duties,	in part, respecting diffused effects.
Corporation Income Tax,	in part, shifted to consumer.
Other Corporation Taxes	
General Sales Tax,	in part, respecting purchases by producers.
Provincial Retail Sales Tax, (where applicable)	in part, respecting purchases by producers.
Motor Vehicle Licences and Gasoline Tax,	in part, respecting purchases by producers.
Municipal Business Tax	

Conclusion

As this memorandum is entitled "Distribution of the Tax Burden", it should be observed in conclusion that the burden of taxation is strictly a net concept. Whatever views may be held regarding the value or necessity of all the services performed by governments, these services represent a conversion of the portion of the community's income that is appropriated to them, not its destruction. Whether the balance of advantage lies here or there is a chronic political problem outside the scope and purpose of this memorandum. But any consideration of tax incidence must recognize that the desired picture will be incomplete and misleading unless corresponding calculations are introduced to allocate tangible and measurable benefits that taxpayers receive in return. This applies particularly to the whole system of monetary transfer payments by government agency, which has enveloped the financial relationship between citizen and government to a degree that now justifies a view of this relationship in terms of "negative" and "positive" taxation.

The CHAIRMAN: That is quite an interesting memorandum. I presume now we can ask Mr. Douglas some questions to further enlighten the committee. I think it would be desirable to follow the procedure that we adopted at other meetings, and go around the table. I think today we may start at this end of the table. Senator Lambert?

Hon. Mr. LAMBERT: This a clear analysis of the facts we already have before us. It gives a clear idea of the incidence, if I may use that term in spite of what the speaker said at the beginning, of the taxes of the different classes of the community. I do not think there is anything that I have to ask by way of questions on any of this information.

The CHAIRMAN: Senator Beaubien?

Hon. Mr. BEAUBIEN: I have no questions. It has been a very interesting talk.

The CHAIRMAN: Senator Isnor?

Hon. Mr. ISNOR: Like the others, I appreciate the very full manner in which the presentation has been made. I was wondering, Mr. Douglas, as to whether you have given any thought as to how the gasoline tax and the auto licences and fees affect the individual business? These are items 5 and 7 in subdivision (B) on Table 1 of your memorandum. One portion is more or less a luxury over which an individual has a choice, while a large portion is used for commercial purposes. Have you given any thought to that?

Mr. DOUGLAS: We have not attempted to determine in any measurable way the extent to which either or both of these taxes act as a straight sumptuary tax on personal enjoyment expenditure or to the extent they operate as a factor of business costs. We simply pointed out in our comments that you do have these joint results. Undoubtedly the element of business costs is a very important factor, not only as regards substantial business organizations but as regards individuals, doctors and plumbers, and men who have the smallest businesses. An automobile is often indispensable.

Hon. Mr. ISNOR: That is why I pointed it out. As a rule provincial governments classify passenger car licence fees as a separate item, and commercial vehicles and their licences as a separate item.

Mr. DOUGLAS: We did not try to apportion in any measurable way that factor, but it can be done as you have pointed out. We did not try to do it in this case because we could not do it in other cases, and our report had to be as uniform as possible.

The CHAIRMAN: Senator Gershaw?

Hon. Mr. GERSHAW: I wonder if Mr. Douglas could say anything about the income tax as applied to farmers? There is a great difficulty there. What would you say about having a tax on the sales of their products, or some other method of setting their income tax other than the present one?

Mr. DOUGLAS: I can only give you an offhand comment on that question, sir. It would be that I do not think it would be satisfactory in any way to attempt to exclude some particular section of the community, particularly a large section of the community, from the operation of a general tax which is supposed to apply to all citizens without distinction, and then attempt to redress the position by levying another type of tax on that section of the community. I believe that from the standpoint of what might be called equity and morale quite apart from the problem of raising the actual money, it is a most difficult and perhaps dangerous idea to attempt to tax any element of the community on what is in effect a discriminatory basis. I think you have to carry income taxes as far as you can. The fact that we have a large farming population and that farming income itself, particularly in the case of small farms, is difficult to assess, is one of the reasons why in Canada the income tax cannot administratively be carried lower down the income scale.

Hon. Mr. GERSHAW: The present system is causing many farmers a great deal of trouble. Those who fail to send in a return are asked to give particulars of their farm operations of five or ten years ago, and of course an awful lot of confusion arises. Is there any way of avoiding that?

Mr. DOUGLAS: I could not say, sir. I am certainly aware that it is a difficult administrative problem, but I would not know how it should be dealt with.

Hon. Mr. LAMBERT: May I make an interjection? Would you suggest that a greater degree of emphasis upon indirect taxation than upon direct taxation would be the only way of meeting that situation?

Mr. DOUGLAS: It would perhaps be one way. My own view of how to deal with this difficult situation—this is just a personal view—is that the personal income tax should be extended over as large a part of the population as possible, reaching down the income scale to a point beyond which it is not administratively practical to go farther. In other words, when you reach a certain point on the income scale if you find that to collect taxes from persons of a lower income would cost more than the revenue brought in, or that administrative difficulties would be so great as to make the taxes not worth while, then it would not seem to be good business to apply the tax beyond that point. The degree to which you are able to extend the income tax down the income scale determines in effect the degree to which the government should use indirect taxation as a complementary factor. Just what these two proportions should be is, in my opinion, an empirical question—a matter of experience—and I dare say that as time goes on the condition will change. It is possible that in time farmers may become more accustomed to the whole problem of how to keep their books, how to put themselves in a position where they can answer the questions of tax collectors and so on.

The CHAIRMAN: Senator Burchill?

Hon. Mr. BURCHILL: Would Mr. Douglas care to comment on the percentage of the national income of the country that could be used for taxes without running into economic trouble?

Mr. DOUGLAS: I cannot comment on that, in any conclusive sense. I am of course acquainted with calculations which have been suggested by one or two economists and which are often quoted on the point that you can determine, so to speak, a Plimsoll line, and that so long as the country is not so heavily loaded with taxes as to be above this line we are all right, but that if it goes under this line we are in a critical danger zone. I believe there is some validity in that view of the matter, because obviously an increase in taxes introduces a

whole variety of hazards and impediments to the operation of the economy, and certainly taxes can be increased to the point where one can say they are excessive. But exactly where that point is, I do not know; and I think it is rather dangerous to assume any fixed percentage in terms of national income, because I can well imagine that in some circumstances it might be dangerous for a country to be taxed below such a point. I think one has to make considerable allowances for the circumstances in which taxation is levied. For instance, I am quite sure that in this country we can afford a higher ratio of taxation to the national income during a short-run period of a defence program than we could permanently. The fact that taxes in this country may continue at their present level until the build-up phase of the defence program is over does not, I think, constitute a serious danger. If they continued at their present level indefinitely I think that level would be dangerous. But that is only my own hunch, and I could not prove it to you. Nor could I prove to you that by reducing taxation to a certain stated percentage of national income we would be safe.

The CHAIRMAN: Senator Haig?

Hon. Mr. HAIG: A large part of our production must be sold abroad. Do our taxes not increase the cost of our products on the markets of the world?

Mr. DOUGLAS: Undoubtedly taxes do increase the cost of our products in various countries.

Hon. Mr. HAIG: And if taxes raised the cost of our products so high that they could not be sold on world markets, the taxes would be too high?

Mr. DOUGLAS: If one could show that the element of taxation in the cost of Canadian products left them in a position where they could not compete with the products of other countries, I would say that undoubtedly the taxation was too high. At the present time I think we can keep in mind this—it may be cold comfort, but it is some comfort—that the principal industrial countries with which we compete in manufactured products are fairly heavily taxed themselves. If we were taxed at our present level and our competitors were not, then I think we certainly would be under a handicap. We would of course be better off if our taxation was not so high, but I think that in the circumstances it is not necessarily going to be a decisive factor in preventing us from selling our products abroad.

Hon. Mr. HAIG: Of course, a tax burden may become so heavy that many people will not buy the product at all. An illustration of that was the tax on cigarettes last year and up to this spring?

Mr. DOUGLAS: Yes.

Hon. Mr. HAIG: Do you think there is a point in taxation where the producer will say "I will quit producing, because the tax on my production is so heavy"?

Mr. DOUGLAS: I have no doubt there is, but I do not know where it is for different producers.

Hon. Mr. BAIRD: It is not very far off.

Hon. Mr. HAIG: But there is such a point? It may be higher for some than it is for others?

Mr. DOUGLAS: Yes.

The CHAIRMAN: Senator Reid?

Hon. Mr. REID: There is a tendency in most countries, including Canada, to depend more on indirect taxation than on direct taxation such as the personal income tax. We all know that governments are being asked to give greater services, and that they must look to new sources of revenue to pay for them. Those of us who are in public life realize how wonderful it would be if these services could be provided without the electorate knowing that they were paying for them. What is your opinion regarding the trend of placing more emphasis on indirect taxation than on direct taxation?

Mr. DOUGLAS: Do you wish me to comment on matters as they now stand, having in view that we should have a somewhat reduced personal income tax compensated for by an increase of indirect taxes? Or, is it rather that you are looking ahead, and that in future we should decide that nothing more can be gotten from personal income tax, so that we could have to look increasingly to indirect taxation if more revenue were needed. I think we are at that position right now, for I do not think that we can get substantially greater revenue from personal income tax as a permanent proposition.

Hon. Mr. REID: Therefore the tendency will be toward burying taxes in the indirect way.

Mr. DOUGLAS: Except to the extent that productivity and income of the people increase; then, obviously, a given rate of tax will produce an increased revenue, and to that extent the income tax will undoubtedly show increased productivity. But I think we are already at the stage where if, for example, a big new program of social expenditure—such as old age pensions—were to be undertaken, it would have to be financed other than from personal income tax. Indeed, I do not think there was any serious consideration ever given to financing the old age pension scheme except on an earmarked basis.

Hon. Mr. REID: On page 4 of your brief you say this:

As matters stand following the recent Budget a married man with two dependents pays no tax, net after family allowance, if his gross income is less than \$3,147?

What do you mean by that?

Mr. DOUGLAS: I mean that when you take into consideration his family allowance, he does not pay tax. He may make a payment, but on the other hand his wife is receiving family allowance cheques, and the one balances the other.

Hon. Mr. HAIG: Mr. Chairman, I do not wish to interrupt anybody, but would it not be possible for us to return this afternoon after the Senate rises and complete this matter then?

Hon. Mr. REID: Our income tax is going to be doubled, as you suggest on page 4, where you say the forecast of revenue is \$1,200,000,000?

Mr. DOUGLAS: It doesn't mean that the rate of tax has to be doubled. The rate has, of course, been much increased.

The CHAIRMAN: Senator Haig has suggested that we meet this afternoon after the Senate rises, and I agree with him. Is it the wish of the members to meet at that time for a half or three-quarters of an hour?

Some Hon. SENATORS: Yes.

The Committee adjourned until the Senate rises this afternoon.

The sitting was resumed at 4 p.m.

The CHAIRMAN: Order. When we adjourned at 1 o'clock questions were being asked of Mr. Douglas, and I think we can now complete the question period. I do not know that it is necessary to go around the table in the order that honourable senators are sitting: not so many are here this afternoon as were present this morning; and questions are invited as senators wish to ask them, except that only one senator should ask questions at the same time. I will begin with Senator Haig.

Hon. Mr. HAIG: Take Senator Reid.

Hon. Mr. REID: I think I had asked my three questions when we adjourned.

The CHAIRMAN: Have you any more?

Hon. Mr. REID: Not at the moment.

The CHAIRMAN: Or Senator Golding?

Hon. Mr. GOLDING: Well, Mr. Douglas, I was just wondering if as the result of your analysis of the tax problem you think that taxes are equitably distributed, or do you think that some sections of our population are bearing a heavier burden than they should. In your analysis of our tax situation have you come across anything to which you would take exception in the distribution of the taxes?

Mr. DOUGLAS: My answer to that, sir, would be that in order to have a really well-informed opinion on your question it would probably be necessary to have the information we were originally asked to produce but could not produce because we do not have the measurements. In other words, in order to determine whether the aggregate impact of taxes was equitable right across the population it would be necessary to have some dependable measurement in quantitative terms, figures, of what the impact by income classes was. That is, we should have authoritative and complete study of tax incidence carried out in terms of actual measurements, but we have not got it, for the reasons that I explained this morning. Therefore one can only consider your question by a sort of rough judgment—the way it looks—and I rather hesitate to express an opinion because I would not want my opinion to appear to go further than my own conjectures. I think on the whole the aggregate tax system in Canada today is reasonably equitable. I believe, for example, that the most important single factors in it are probably the income tax and the general sales tax in their joint operation, and that the sales tax at its present level, in relation to income tax at its present level, operates, so to speak, to dovetail in to the foot of the income tax and to carry on a scheme of roughly proportional taxation in the lower income groups, so that you can say that no section of the community, certainly, is being neglected, and that so far as reasonable judgment allows one to form an opinion, if you take the sales tax and the personal income tax together as the backbone of the tax structure, they operate across the whole scale of income groups reasonably equitably. Putting the matter in another way, I could not point to what one would regard as a gross anomaly in the situation. After you have said that, you then have to recognize that you have, for example, the corporation income tax producing this year more than a quarter of the total federal revenue, and nobody knows who really pays the corporation income tax. It is a random factor; it probably operates in a certain way in a seller's market and another way in a buyer's market, and so on. So that necessarily any such opinion has to be pretty rough. I think that is about all I can say in reply to your question, and I am sorry it is not more specific.

Hon. Mr. GOLDING: I think members of the House of Commons and members of the Senate receive from time to time briefs from various organizations complaining about this tax or that tax. Chambers of Commerce are among the bodies from whom we hear on this matter. I am wondering whether in your analysis of the tax situation you had found that there was justification for the complaint that sometimes they make to us.

There is another thing. Senator Gershaw was speaking this morning about the farmers and their income tax problem. I think everyone is pretty well conversant with their point of view. But there are other groups about which it is, I think, as difficult to determine the matter of equity in taxation as it is with respect to farmers. It seems to me that people working in industries and getting paid by salary, no matter where they are employed, cannot avoid paying taxes because they are taxed at the source, but there are other groups where I believe it would be impossible to get a complete check on their actual income. In your study of the over-all tax picture have you given consideration to this matter?

Mr. DOUGLAS: The question you have just raised is primarily an administrative problem on which an outsider like myself can only entertain the sort of views that you have expressed—the fact that one does recognize that certain classes of taxpayers can more easily understate their income or possibly completely evade taxes than others. The question of how far that actually happens is something I do not know. It is my own impression today, now that the Department of National Revenue has passed the difficult war period when it was under-staffed and had tremendously increased responsibilities, that enforcement is pretty strict and effective. I believe, at any rate, that that is the opinion held by most taxpayers themselves. It would be my own observation that today the morale of income taxpayers with respect to that point is pretty good. I have heard very much less in my present job than I used to hear immediately after the war about the alleged extent to which it was assumed that other people were not paying taxes when the complainant was. It is primarily an administrative question.

Hon. Mr. GOLDING: It is an administrative question, but I would take it for granted that your organization, when studying this whole taxation problem, would be interested with this phase of the problem. You would be interested to see that each and every group was doing its fair share. You can understand how difficult it is for people on salary in industry and in the civil service and so forth, to evade paying income tax because they are taxed before they get their money. However, we hear, whether rightly or wrongly, about so many who do not meet their obligations. Have you made any study of this phase of the problem?

Mr. DOUGLAS: I can only speak from the impressions I am able to form while working in my present position. I should perhaps add that most of our work so far has been not so much concerned with general surveys of the whole tax picture, as with specific examination of particular taxes and particular parts of particular taxes; for example, the question of the position of so-called “private companies” under the Income Tax Act and various points of practical difficulty in the tax system as an operating machine.

Hon. Mr. KING: I imagine it is part of the duty of the tax department to educate the people. I know there is a great deal of trouble with the farmers not knowing the necessity of keeping books, and having no knowledge of this. Has the department tried to go out among the farmers and talk to them fairly without abusing them, and showing them how they can make their returns properly? Is that being done?

Hon. Mr. GOLDING: Yes.

Hon. Mr. KING: Fairly?

Hon. Mr. GOLDING: Yes. I know up home that the Federation of Agriculture had officials from the tax office in London, and they had a meeting at which the officials of the Federation got together with these chaps and discussed the whole thing completely.

The CHAIRMAN: Senator Golding, are you through?

Hon. Mr. GOLDING: Yes.

The CHAIRMAN: Senator Lacasse?

Hon. Mr. LACASSE: I want to follow up and ask Mr. Douglas if he is aware that some three years ago a book was issued by the Income Tax Division of the Department of National Revenue for the purpose of assisting farmers in preparing their income tax returns. It was an accounting book to assist the people across the country to make uniform tax returns. Mr. Douglas, were you aware of the existence of that book and, if so, do you know what results it has produced and why has it been discarded?

Hon. Mr. DOUGLAS: I am aware of the book. I did not study it very carefully and, I have no information regarding the results obtained, how far it has helped the farmers' problem on the one hand and the department's problem on the other. Where it stands in the department's use today I do not know.

Hon. Mr. LACASSE: It was an obvious effort on the part of the authorities to assist the farmers to meet with a certain standard of regulations set by the department.

Mr. DOUGLAS: I think in a problem of this kind the principal help the department can give is to have its field officers encourage people to come in and ask for help, and to overcome the feeling that the officials of the department are out in the district offices in a purely inquisitorial capacity. It is my impression the department has had some success in this.

Hon. Mr. LACASSE: I have just been informed, Senator Golding, that this book has not been discarded, but I have not seen it around.

The CHAIRMAN: Senator Barbour?

Hon. Mr. BARBOUR: I understand that in the last few years they have allowed the farmers to spread their income over a five-year period?

Mr. DOUGLAS: Yes.

Hon. Mr. BARBOUR: If they have no profit one year and a large profit the next, they can spread their profits over a five-year period?

Mr. DOUGLAS: That is right, and the same is true of the fishermen.

The CHAIRMAN: Senator Taylor?

Hon. Mr. TAYLOR: I was rather impressed by the brief this morning. It was quite evident that the consumer pays the taxes, and that the more the public realizes this the more he will think about asking for expenditures to which he will have to contribute. I think that would be the greatest advantage that we could get from the brief.

Hon. Mr. LAMBERT: May I ask a question arising out of one asked a few moments ago? The suggestion was made that there is a line beyond which taxation might not be equitable—the word "equitable" was used. I was thinking in terms of the economic capacity of the country to pay, rather than the equity of the taxation. Would you care to make any distinction in this matter? It seems to me that it is almost impossible to define what an equitable tax is, especially a federal tax, when the question of need comes in. Has there been any attempt at all to establish a percentage of the national gross income or net income as a point beyond which it would not be economical to go with taxes because they would produce diminishing returns?

Mr. DOUGLAS: First, sir, may I distinguish between the points you make? The question of what constitutes equity and what constitutes capacity to pay taxes are, I think, different questions. For example, it might be quite demonstrable that a community was being overtaxed, but nevertheless the excessive burden might be equitably spread. I think that equity is one thing, and capacity to pay is another. You asked whether there was any comprehensive test of equity. I do not know whether there is, but bearing in mind that all taxes are finally paid out of the personal income of individual taxpayers I would visualize an equitable policy of taxation as meaning that as far as possible taxpayers in equal income circumstances paid equal taxes; and, furthermore, if possible, that every one of them knew they did.

On the question of capacity, I do not think I can add very much to what I said this morning in the discussion that followed by memorandum, when I referred to what I called a "Plimsoil line", which some people think could be fixed for the purpose of clearly indicating what percentage of the national income can safely be taken in taxes.

Hon. Mr. HOWDEN: Does equity not involve a matter of justice?

Mr. DOUGLAS: Yes, I think equity is essentially a matter of justice.

The CHAIRMAN: Perhaps we should allow Mr. Douglas to finish his answer to Senator Lambert.

Mr. DOUGLAS: I can only repeat what I said this morning, that I believe that the idea of a "Plimsoll line" in this matter is deceptive, because I do not think it is possible to prove that at a point somewhat below the line everything is all right and at a point somewhat higher the country is in danger. It is essentially a question of degree, and I believe the critical point could change very considerably under different economic conditions. Also it could change considerably as the attitude of taxpayers themselves changed. If, sir, you could have asked this question fifty years ago, I dare say you would have been told that we could not tax more than 10 per cent of the national income without ruining our economy. Certainly there is a critical point, but I do not think anyone can tell where it is as an immutable law. I think that in every consideration of this matter the bias must always be in favour of the lowest possible taxation. In other words, it seems to me there should always be the strongest possible demonstration of the need for any class of expenditure before it is undertaken, regardless of whether the country is away under the assumed danger mark or not.

Hon. Mr. BARBOUR: You think that the government's need for the revenues which a tax would produce is a factor that should enter largely into the question of what the tax should be?

Mr. DOUGLAS: I do not think you can say that as to all taxes, sir, because, except for the present case of old age pensions, a particular tax is not as a rule attached to or earmarked for a particular expenditure. On one side you have the aggregate of expenditures, of revenue requirements, and on the other side you have the balancing factor of the whole tax system, without any necessary relation between the individual items.

Hon. Mr. LACASSE: The old age pension tax is statutory.

Mr. DOUGLAS: Yes. As I see it, that arrangement was introduced precisely in recognition of the fact that we have reached a point of taxation where no government can responsibly go on adding to taxes, and in a commitment of that character it was necessary that the whole community should be constantly reminded that it is using the facilities of government to effect a transfer of money from the working population to the retired population.

Hon. Mr. BARBOUR: I was thinking more of the need for taxes to cover national defence expenditures at the present time. In order to make peace secure we are spending a lot of money now, and I thought that was the principal factor governing the taxation.

Mr. DOUGLAS: I think that is undoubtedly true right now, sir. The figures on our Table 1, which were based on the federal government's fiscal year ending March 31, 1951, show a total tax revenue of \$2.8 billion, whereas the tax revenue this year is estimated to be well over \$4 billion. The difference between the two is a measure of the defence program.

The CHAIRMAN: Senator King, have you any questions?

Hon. Mr. KING: No, Mr. Chairman. I think that the brief presented by Mr. Douglas is a very enlightening one and I should like to study it carefully.

The CHAIRMAN: I wish to ask a few questions. Would you say as a general principle, Mr. Douglas, that taxes other than personal income taxes usually find their way down to the consumer?

Mr. DOUGLAS: Yes, I think that is undoubtedly true. I would just point back to the recapitulation with which this memorandum concluded. I think you could sum it up in a few words by saying that excluding the personal

income tax and some part of the corporation income tax—that it to say, the portion which bears on shareholders—and excluding also perhaps some element of local real estate taxes, the rest of the system gravitates down to the final consumer in one way or another.

The CHAIRMAN: In business, the income tax is treated as an expense. Take the corner grocery store as an example. The owner finds, let us say, that his municipal taxes or corporation taxes, or perhaps both, are raised. Do you not think he takes that fact into account when fixing the prices at which he can sell his goods?

Mr. DOUGLAS: Yes. I think you have to distinguish there as regards business taxes, between the type of tax which clearly becomes a fixed overhead cost of doing business, such as a municipal business tax on a corner grocery or the percentage of capital tax which is levied on corporations in Ontario and Quebec. Those are taxes which are fixed without reference to the profits of the organization. If the company suffers a loss, it is still taxed; whereas, an income tax comes into accounting after the determination of profit.

The CHAIRMAN: Corporation profits which are being published from time to time in financial and daily papers indicate that even with a larger volume of business than was done last year, the profits of some companies are substantially reduced. I expect the real reason is that there is not an active demand for goods, and the companies are afraid to raise their prices for fear their goods would not sell; consequently, they have not been able to adjust their selling price to meet an increased scale of taxation. Would you say that was a fair statement?

Mr. DOUGLAS: Yes. I take it that where companies report their experience in these terms they attribute their reduced profits not to the operation of taxation directly upon themselves as corporate taxpayers, but to its operation upon their customers in reduction of their buying power, or at any rate their willingness to buy. There is no doubt that the aggregate effect of any increased level of taxation must operate to reduce the amount of money that people can spend.

The CHAIRMAN: Would you say the same was true of increasing costs due to rising labour costs?

Mr. DOUGLAS: Do you mean, sir, that rising labour costs are attributable to increased taxes?

The CHAIRMAN: No; I mean if an industrial concern has a 10 per cent increase in its wages, does it not try to make up that increase in the price of the goods it sells?

Mr. DOUGLAS: I think that is undoubtedly true. Wages, again, are costs which must be taken into account for determination of profits, as distinguished from income tax which applies to profits after they have been determined.

The CHAIRMAN: You do not think that is true in the same respect of corporate income taxes?

Mr. DOUGLAS: No, I do not.

The CHAIRMAN: But you would admit that part of it might be due to that?

Mr. DOUGLAS: I think that in the case of a clearly determinable cost management knows that in order to produce a product and sell it at a profit, the price of the product must cover the ascertainable cost; income tax comes in afterwards and cuts off some part of the profit. I do not think that business management can take the same view of income tax because it is not a component of the cost of production; it is, however, a component of the rate of return on invested capital in the long run. It seems to me that management is obliged to consider whether or not it is producing a sufficient return on capital; at any rate, this calculation will certainly affect plans for expansion.

I also am quite sure that the corporate income tax has a directly calculable effect on decisions of management from the standpoint of its impact on retained earnings. This is particularly true in circumstances where prices have risen substantially and costs of replacement are considerably higher than original costs, so that retained earnings may be required not even to expand the operation but to maintain it. Therefore, I do believe that because corporation income tax applies to practically all corporations and exerts a universal pressure, it creates a stronger compulsion on management to maximize profits by increasing prices or resisting reductions, if they can. To some extent a corporation tax as compared with a personal income tax may be conducive to that result in an indirect way. Today in Canada we are taking over a billion and a quarter dollars from corporate profits, and if we assume that an alternative to that is to find the equivalent money, or some substantial part of it, by other modes of taxation, and to transfer that weight of taxation immediately on to consumers' income, directly or indirectly, it would undoubtedly contract consumers' demand and make the market less able to maintain given price levels.

I daresay, if you wish to pursue this question a bit further, that my colleague Mr. Moore would have a somewhat different view on it. This is not a question to which even people who work together agree on all points. I don't think you can reach any more definite conclusion regarding corporation tax, beyond the fact that in part it bears on shareholders, particularly in the short run; in part, it certainly bears on consumers, probably more in the long run. But as to how the balance can be computed, it would be impossible to say definitely.

The CHAIRMAN: Are there any further questions? If not, I wish to thank Mr. Douglas for his presence here today and for the information he has given us, and to assure him that we will—to use a stock phrase—give it due consideration.

Mr. DOUGLAS: Thank you for your very kind reception.

The Committee adjourned.

EXHIBIT No. 18

TAXES IN CANADA

Memorandum for Senate Finance Committee prepared by Canadian Tax Foundation, June 12, 1952.

Table 1

Current Classification by Jurisdictions	Yield in Fiscal Year Ending nearest to December 31, 1950 Millions of Dollars	
A. Federal		
1. Personal Income Tax.....	652.	
2. Corporation Income Tax.....	834.	
3. General Sales Tax.....	460.	
4. Excise Taxes	131.	
5. Excise Duties (Alcohol \$129, Tobacco \$207).....	336.	
6. Customs Duties.....	296.	
7. Succession Duties.....	34.	
8. Withholding Tax (on Non-resident).....	62.	2,805
B. Provincial (Excluding special charges on exploitation of natural resources)		
1. Corporation Income Tax, Ontario and Quebec..	127.	
2. Other Corporation Taxes, Ontario and Quebec...	23.	
3. Succession Duties, Ontario and Quebec.....	32.	
4. Retail Sales Taxes, B.C., Sask., P.Q., N.B., and Nfld.	76.	
5. Gasoline Tax, all provinces.....	155.	
6. Liquor Control, all provinces.....	137.	
7. Auto Licences and Fees, all provinces.....	67.	
8. Amusement Taxes, all provinces.....	19.	636
C. Municipal (Excluding Fees and other charges not having general application)		
1. Real Property Taxes.....	403.	
2. Business Taxes, approximately.....	30.	
3. General Sales Taxes.....	26.	459
Total		\$3,900

Please Note:

(1) The foregoing tabulation, rearranged as shown, corresponds substantially with the tabulation shown in "Combined Revenues—All Governments in Canada for 1939, 1949, and 1950. Summary by Sources", prepared by the Dominion Bureau of Statistics, from which the figures of yields are taken.

(2) This list comprises taxes commonly recognized as such that are significant by reason of yield, or of general application as regards the "typical Canadian taxpayer", although all taxpayers do not necessarily contribute to all of them. It excludes miscellaneous levies of local application, as well as compulsory levies having the force of taxation but operating on the insurance principle (e.g. unemployment insurance contributions).

(3) Basing figures of yield on the fiscal year nearest December 31, 1950, allows comparable presentation throughout in the period immediately preceding the defence program.

EXHIBIT No. 19

STUDIES OF TAX INCIDENCE

Memorandum for Senate Finance Committee prepared by Canadian Tax Foundation, June 12, 1952.

Table 2

United Kingdom

(1) Tibor Barna: *Redistribution of Incomes through Public Finance in 1937* (Oxford University Press: 1945).

(2) G. Findlay Shirras and L. Rostas, *The Burden of British Taxation* (Cambridge University Press: 1942).

(3) *Report of the Committee on National Debt and Taxation* (the Colwyn Committee), (Cmd. 2800, London, His Majesty's Stationery Office, 1927) Section III "The Burden of Taxation, Direct and Indirect, on Various Incomes".

United States

(1) R. A. Musgrave, J. J. Carroll, L. D. Cook, & L. Frane: "Distribution of Tax Payments By Income Groups: A Case Study for 1948." (*National Tax Journal*, March, 1951, Vol. IV, No. 1).

(2) John Adler, "The Fiscal System, the Distribution of Income, and Public Welfare," in Kenyon E. Poole, (ed.), *Fiscal Policies and the American Economy* (New York: Prentice-Hall, Inc., 1951).

(3) Gerhard Colm: and Helen Tarasov: *Who Pays the Taxes?* (Temporary National Economic Committee. Monograph 3, 1940), and

Helen Tarasov: *Who Does Pay the Taxes?* (Supplement IV to Social Research 1942; New School for Social Research, N.Y.).

1952

THE SENATE OF CANADA

Government
Publications



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1953.

No. 12

MONDAY, JUNE 23, 1952

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

REPORT OF THE COMMITTEE

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1952

THE STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

The Honourable Senators:

Aseltine	Fogo	Paterson
Baird	Fraser	Petten
Barbour	Gershaw	Pirie
Beaubien	Golding	Quinn
Bouffard	*Haig	Reid
Buchanan	Hawkins	*Robertson
Burchill	Hayden	Roebuck
Campbell	Horner	Stambaugh
Crerar	Isnor	Taylor
Dupuis	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien (36)
Farris	McDonald	

(Quorum 9)—50 Members

*Ex officio member. *

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 26, 1952.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

MONDAY, June 23, 1952.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators: Crerar, Chairman; Aseltine, Baird, Beaubien, Farris, Gershaw, Golding, Haig, Horner, Isnor, King, Reid, Robertson, Stambaugh and Turgeon—15.

The Chairman read to the Committee a draft of a Report to be submitted to the House in obedience to the order of reference of March 26, 1952.

Following discussion, the Chairman agreed to re-draft certain clauses of the Report and to submit it for consideration at the next meeting of the Committee.

At 1.15 p.m. the Committee adjourned.

At 8.00 p.m. the Committee resumed.

Present: The Honourable Senators: Crerar, Chairman; Aseltine, Beaubien, Golding, Haig, Isnor, King, Lambert and Stambaugh—9.

On motion of the Honourable Senator King, a revised draft of the Report was adopted.

The following documents were ordered to be printed as Exhibits to the Report of the Committee:—

No. 1. Summary of Annual Estimates by Standard Objects of Expenditure and Special Categories. (*Printed as Exhibit No. 1, Proceedings No. 1*)

No. 2. Combined Revenues and Expenditures—All Governments in Canada. (*Printed as Exhibit No. 7, Proceedings No. 8*)

No. 3. National Income and Gross National Product, 1939-1951. (*Printed as Exhibit No. 3, Proceedings No. 3*)

No. 4. Reported numbers of Employees in the Government of Canada (excluding members of the armed services and RCMP) as at March 31, 1939, 1948, 1949, 1950, 1951 and 1952. (*Printed as Exhibit No. 6 Proceedings No. 7*)

No. 5. Dominion Cost-of-Living Index. (*Printed as Exhibit No. 2, Proceedings No. 3*)

On motion of the Honourable Senator Beaubien, it was resolved to request authority for the printing of 1,000 additional copies in English and 200 additional copies in French of the Report of the Committee.

At 8.15 p.m. the Committee adjourned to the call of the Chairman.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

REPORT OF THE COMMITTEE

The Standing Committee on Finance, to whom were referred the Estimates laid before Parliament for the fiscal year ending March 31st, 1953, reports as follows:—

On March 26th, 1952, the following Order passed the Senate:

That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1953, in advance of the Bills based on the said Estimates reaching the Senate; that it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.

Due to the Senate adjournment for the Easter recess, Your Committee did not begin its enquiry until the beginning of May.

At its first meeting Your Committee decided that in a general way the enquiry should be made along the same lines as last year and, with this in view, data were secured similar to that provided a year ago. This added another year for study and comparison. Appended to this report, therefore, are several exhibits which, if studied with care, present a fair picture, not only of the Federal Government's revenues and expenditures, but that of the Provinces and Municipalities as well.

All Canadians, wherever they may be, pay taxes to three governing authorities, Municipal, Provincial and Federal. They tend to look at each one of these apart from the others, whereas the really important thing for the Canadian taxpayer is not the taxation he has to meet from each of these governing authorities, but what he has to meet from all combined. It may be added here that the data provided in these exhibits come from official sources, mainly from the Bureau of Statistics which has a wealth of information on all aspects of the Canadian economy.

Exhibit I in the appendices gives an analysis of the main estimates submitted by the Government during the present session of Parliament by standard objects and special categories of expenditures. This, with the explanatory notes attached to it, gives a clear picture of how the Government proposes to spend the money entrusted to it. Your Committee was helped much in its inquiry by the detailed analyses by Departments of the total of these standard objects and special categories which were included in the book of estimates

submitted to Parliament. The general pictures can be seen in the Table attached as Exhibit I. As examples: It will be noted that the total money required for travel and removal expresses for all government purposes is well over 46 million dollars, of which just about 14 millions is for purely civilian needs and 52 millions for defence and defence production. Your Committee feels certain that this amount of 46 million dollars could be sharply reduced without injury to the public interest. As another example, we take office stationery, supplies, equipment and furnishings. Here 18 million dollars is provided, of which over 12 millions is for purely civilian purposes. Surely all this could be much reduced without hurt to efficient administration.

We draw attention also to a few other items of substantial increase in the estimates for the present fiscal year as against the previous year. In the item of materials and supplies the increase is from approximately 39 million dollars to over 43 million dollars. Under the heading of construction or acquisition of buildings, the total amount spent in the last fiscal year was 127 million dollars, which increases this year to 136 million dollars, or an additional 9 million dollars. Under repairs and upkeep, a similar increase is approximately one million, four hundred thousand dollars. Under the item of rentals the increase for the present year as against the last is 750 thousand dollars. That is, in the present year the estimates provide for spending 750 thousand dollars more for renting premises for government purposes than the previous year. It should be borne in mind that these increases are for purely civilian purposes apart from defence and defence production, and are at a time when the strains are heavy upon our economy for the latter purposes. Governments are more often criticized because they spend too little than because they spend too much, and too often those in opposition to government criticize the governments they oppose because more money is not being spent for roads, or welfare, or hospitals, this or that or the other thing.

Your Committee believes that there needs to be a new approach everywhere to the business of public spending. The increasing tendency of people to demand that the government do something about all kinds of problems which the community or the individual should solve for itself or himself is, we believe, accountable for much mounting public expenditure and, if not checked, bids fair to undermine our present system of government.

A further observation requires to be made here. We draw attention to the items in the civilian Estimates that have to do with the construction or acquisition of buildings and works, their repairs and their upkeep, and rentals for buildings which different Government Departments require. The total amount under these three items found in the Public Works Department Estimates is slightly in excess of 80 million dollars. The total for all Departments of Government under these items is in excess of 163 millions. Under the Public Works Act, the Public Works Department of Canada has the responsibility of providing and maintaining all the public buildings and works required by the other Civilian Departments. It is true Part II of the Public Works Act makes an exception to the effect that the Governor in Council "may at any time transfer the management, charge and direction of any public work, or any power, duty or function with respect to any class of works, whether public or private, which is assigned to or vested by Statute in any Minister or Department, to any other Minister of Department." But surely this was only intended to meet special circumstances, and was never intended to be used in the broad sense in which it is used today.

From the figures just quoted, it would appear that other Departments of Government combined are directly spending more for these purposes than the Public Works Department which is primarily charged with this responsibility. For example, the Post Office Department, which requires public buildings all over Canada, either through building or rental for Post Office purposes, and requires to have them repaired and maintained, has all this work done by the

Public Works Department, as was intended under the Act. The question naturally arises, why should this not be done for other civilian Departments of Government? When, for example, the Department of Agriculture, or National Revenue, or National Health and Welfare, directly provides for their own needs by building, or rental or both, they have to provide their own architects, their own engineers, and their own servicing establishment generally. It certainly appears that this can have no other effect than duplication and overlapping and the inevitable general increase in costs that is bound to result from this practice.

There are exceptions in the case of Departments which have services abroad. The office space and maintenance which they require abroad will be secured more economically by such a Department directly. But practically all of these expenditures, to which attention is drawn, are within Canada and, with very few exceptions, as for example the maintenance of buildings and roads in National Parks, we do feel that this part of the administration of our public business should be under Public Works.

In Exhibit II will be found the combined revenues and expenditures of all Governments in Canada for the year 1939, taken as a base year, and for the years 1949 and 1950, with the sources from which governments obtained their revenue and the purposes for which they spent it. Since the Public Finance Division of the Bureau of Statistics has not the complete data for 1951, only preliminary estimates are given for this year. For 1952 comparable data for all governments have yet to be unfolded; but Your Committee thinks it is a fair assumption that for this present year all governments combined will take from Canadian taxpayers in excess of 6 billion dollars, and will spend somewhat short of that amount.

In the Federal field the need for increased revenue and, as a result, increased taxation, arises mainly from rapidly expanding defence expenditures, which this year will be over 2 billion dollars; and expanding welfare costs which, for the same period, if we include soldiers' pensions and allowances, at all levels of government, will be at least 1½ billions of dollars, of which more than two-thirds is for Federal account. Of this latter amount two items, Old Age Pensions with Pensions for the Blind, and Family Allowances, will require over 675 million dollars.

In this connection it is interesting to note that in the year 1951 the Canadian people spent, on

(1) Alcoholic beverages	\$ 651,000,000.00
(2) Tobacco in various forms.....	422,000,000.00
(3) Race track betting.....	55,000,000.00
(4) Soft drink beverages of all kinds....	158,000,000.00
(5) Commercial recreation	160,000,000.00

or a total of \$1,446,000,000.00

This total is almost equal to the total amount spent under the general heading of Social Security. It is sometimes argued that the taxes collected for Social Security goes back directly to the taxpayers, and so should be regarded as a sort of credit to the taxpayers accounts. But this is not so. The money collected in taxes for security benefits, in large aggregate, passes from the taxpayer to a different person. We are not concerned here with the merits or demerits of this, but simply to say that on any reasonable basis it can only be regarded as part of the tax burden.

Your Committee thinks that in a young country like Canada, with its immense resources and with greater opportunity for the individual to make his

way than can be found in any other part of the world, Social Security measures as a whole should be reviewed and assessed in the light of sound national development.

Exhibit III deals with the figures on national income and gross national product, and data is given for all the years from 1939 to and including 1951. Perhaps, for the purposes of clarity, the distinction between gross national product and net national income should be repeated here. Gross national product is the total gross income of all the people of Canada from all sources, which can be compared to the gross income of a business corporation, a farmer or a labouring man. To arrive at the net national income, certain deductions must be made from the gross product. In the course of a year machinery employed to produce the gross national product has to be depreciated, since all machinery tends to wear out within a limited time. The same thing is true of houses and automobiles. When all these and similar charges are put together they are deducted from the gross product. The result may be described as the net national income.

It is out of this net national income that all people in Canada meet their total living expenses and, since Canadians enjoy a high standard of living, this amount is the major item. In the second place, there has to be deducted the amount all citizens pay to their various Governments in taxes. Speaking generally, what is left is the volume of savings, which may be invested in life insurance policies, Bonds of Governments or of Corporations, or annuities, or in business undertakings of one kind and another, or retained by individual Canadians as a protection against their future needs.

Here we must pay a well deserved compliment to the Minister of Finance who, in his annual budget speech, and especially in the white paper that accompanied the budget statement, gave a vast amount of information on how and why the Canadian economy is working at the highest level reached in our whole history. The Minister estimated that our gross national product for the present fiscal period would be about 22½ billion dollars. This should leave a net national income of approximately 18 billion dollars. If we could be certain that our economy would continue to expand as it has done in recent years, your Committee thinks that Canadians could feel reasonably secure for their future; but we should recognize clearly also that, if cold and chilling winds blow upon us, the result might be greatly different. Indeed, the Minister drew attention to this possibility in his budget speech when he said "Every Honourable Member will agree, I hope, that it is not possible to predict with certainty the level of prices during any future twelve months to within 1 per cent. Yet, on a gross national product of 20 billion dollars, the difference between a 1 per cent rise and a 1 per cent fall in prices during the year is a difference of 400 million dollars in gross national product. Under our present tax structure, such a slight change in price could produce a difference of from 80 to 85 million dollars in our revenues": This is a significant and important statement.

It is well to remember that if our economy remains buoyant, and we reach 18 billion dollars of net national income, the Canadian people will pay in taxes for this period, to all their governments, just about one-third of this amount. Everyone will admit that this heavy burden of taxation, brought about in a substantial degree by the large defence spending, is certainly about the limit, or even beyond the limit that Governments can with safety take from the taxpayers. We have no guarantee that, so far as our economy is concerned, we shall continue indefinitely to live in the sunshine. It should be kept in mind that about half the increase that has taken place in our gross national product, and therefore in our net national income, over the last twelve years, has been due to the persistent inflation of our economy. On the value

of the pre-war dollar, the total representing product and income would be about half what they are today. This is equally true of other countries as well.

Amid all the good times we have experienced in recent years, it should never be forgotten that the Canadian economy is very vulnerable in one important aspect, and that is in our continued ability to sell our products abroad. We have now daily evidence in this matter through the effects produced by exchange difficulty in the sterling area. We see emerging once more, since the end of the war, the tendency toward further restrictions on trade by some of the countries in which we ordinarily sell a large amount of our surplus. If, for the reasons just cited and for other reasons which might be added, we find increasing difficulty in getting into the markets of the world, then there is little doubt of the effect it will produce on our economy at home. We have seen the effect produced by foot and mouth disease where our large market for cattle in the United States has been completely shut off for the time being. Ordinarily, British Columbia and Eastern Canada sell much of their forest products in the sterling area. For reasons already stated, this market has been greatly curtailed. These are instances of what might happen to us. These are the imponderables which largely influence the manner in which our economy operates. If we lose a market, as is the case for the time being with our livestock, or if we lose our markets for forest products, or for any of our other products, almost certainly someone will demand to know what some government or other proposes to do about it. If the government gives the relief that may be demanded it can only be done at the expense of the taxpayers. And if this attitude of mind, so prevalent in recent years, which in increasing degree demands that some government or other must find a solution for the problems of the individual, or the community, continues to grow, and as far as possible to be met, we are assuredly on the slippery slope that will land us in ever increasing difficulties. If, within the next few years, we should have a 20 per cent decline in prices, or lose 20 per cent of our foreign markets, what happens to the edifice of expenditures we have built up in the days of sunshine? This problem is worth thinking about. Moreover, the gaining of world markets and increased trade means competition. This in turn involves cost of production, and here labour costs is the most important item. There is abundant evidence to show that notwithstanding the increase in prices that has taken place since the end of the war, labour generally has quite substantially improved its position. In other words, notwithstanding the increase in prices, what labour receives today for a day's work will buy substantially more than what labour received six years ago for a similar day's work; and it should not be overlooked either that the business corporation, be it large or small, or the individual business man looking after his own business will as far as he possibly can put into the price of goods he sells the increased costs that have to be provided in the carrying on of business. This applies in an equal degree to the taxes that business generally has to pay. Wherever possible they are passed on to the consumer and this, in the conduct of human affairs, is inevitable, human nature being what it is.

Without question Canada is at one of the great crossroads of its history. Without question the essence of the struggle between free men and the autocratic states is the maintenance of our personal freedom and liberty. In the short view this is obscured by the individual's concern with his personal affairs. As a people we may be thinking too much of security for the moment, and not enough of where we will be if the dark forces of tyranny overwhelm us. We are thinking too much of our enjoyments, of what we can get rather than what we can give. In the long run these are the things that vitally matter. In a society where the tendency is for each group to scramble for all it can get, regardless of its effect on others, we have in the present state of world affairs a society that may be headed for the abyss.

Exhibit IV—as an appendix to this report—covers reported numbers of employees of the Government of Canada, excluding members of the Armed Forces and the R.C.M.P., as at March 31st, 1939, 1948, 1949, 1950, 1951 and 1952. From this appendix it will be noted that between March 31st, 1951, and the corresponding date in 1952, the total employees of the Government of Canada increased by just about 13,000. Of this increase slightly more than 10,000 is in the services of the Defence Department (it should be kept in mind that these are civilian employees), and the total in the Defence Department has now reached almost 40,000. The Wartime Prices and Trade Board, which reported 260 employees a year ago, has been wound up. A study of this Table will indicate where the other increases over the past year have taken place. These increases outside the Defence Department can be laid at the door of expanding Government services. The increased cost is not confined to the increase in Government servants. It means increased demands for office space and increasing costs for all the things the servants need to do their work.

While Your Committee recognizes that an increasing population may require correspondingly increased expenses by governments at all levels, nevertheless the increasing costs of the whole apparatus of Government in Canada is a matter for concern. Here the truth needs to be recognized—that if the people demand more services from their Municipalities, their Provincial Governments, or the Federal Government, they must expect that their taxes will have to be increased. While Your Committee has no data on what is happening in this respect at the Provincial and Municipal level, we still think it fair to say that these increasing costs of Government administration will be found, with exceptions here and there, in all levels of the vast mechanism of Government in this country. If the public insists that the administrative costs of Governments be reduced—as many think they should—it cannot reach this desirable end unless it rids itself of the idea that governments have to dance when it calls the tune or more expenditures.

In Exhibit V will be found the movement of the cost-of-living index from the year 1945 down to the present time, with the changes recorded month by month for 1950, 1951 and 1952 to March 1st. Since the latter date a further slight reduction has taken place. The movement of this cost-of-living index reflects the inflation that has taken place since 1945, where the index stood at 119.5 compared with 1935 to 1939, as represented by 100. During the war years the cost-of-living was held stable because of the controls over wages, salaries, and prices maintained during the war; the increase of 19.5 points having occurred before these controls were made effective in November, 1941. There are those who urge a return to control of prices but this, without a similar control on wages and salaries, would not be worth the paper it was written on.

The further inflation which seriously threatened—even a year ago—has been brought under a measure of control. But while the forces of inflation have apparently been checked, they may easily flare up again. The possibilities of further inflation in the United States appear to be by no means over. The prospect there is for a heavy government deficit and, when governments do not pay their way, the result is bound to be inflationary. In addition, labour in the United States is demanding sharply increased wages—definitely another inflationary factor. In Canada we may still face demands of a similar kind. If further inflation should take place in the U.S., Canada could not escape the consequences of it. About all that can be said is that we have no clear chartered course before us. We do not know from which direction the gales may come upon us; yet we can safely assume that if we practice moderation in our own personal expenditures, and if our governments practice care and economy in the spending of the funds the taxpayers have given them, we will have at least taken in some measure some protection against the uncertainties of the future.

Mr. Gilbert Jackson, a well-known Economist of Toronto, in giving evidence before Your Committee, all of which is reported in the Minutes of the Proceedings of the Committee, stated that to increase the gross national product by one dollar required that almost five dollars be saved and invested. Mr. Jackson's data to support this impressed the Committee with its soundness. Your Committee also had as a witness Mr. Monteath Douglas, Director of the Canadian Tax Foundation, whose head office is in Toronto. Mr. Douglas also gave the Committee useful information and it likewise can be found in the Minutes of the Proceedings.

As a result of our enquiry, we suggest the following recommendations:

(1) There has been an increasing volume of publications from Government Departments. Your Committee feels that much of this is unnecessary and useless and should be completely overhauled. We recommend strongly that Departments be required to budget for their postage and that the franking privilege—now general among all Departments for the stuff they imagine they need to send out to the public—should be restricted wholly to the personal mail of Members of Parliament when Parliament is in session. This would tend to limit the publication of material to what was necessary and useful. Consideration should be given by the Government to making a fair charge for necessary Government publications, such as geological surveys, maps and scientific publications, and the like.

(2) The growing practice for other Departments of Government to bypass Public Works Department and build up little Public Works branches of their own, should cease, and all such work placed in charge of the Public Works Department, where the law intended it should be.

(3) We suggest that beneficial results would follow the holding of a Conference between the Provinces and the Federal authority for the purpose of finding where economies, as between their administrations, could be brought about. We believe important savings in the cost of government as a whole could be found, with important benefits to the Governments concerned, and their taxpayers as well.

This brings us to the conclusion of our report:

That the tax burdens of the Canadian people are heavy no one will deny. At the Federal level we propose to spend 2,000 million dollars, or about \$4.00 out of every \$9.00 for defence, and no one can say how long we shall have to sustain this burden. With the passing of time the conflicts between those countries where freedom has entirely disappeared and the freedom-loving Western nations certainly are not growing less, but are becoming deeper and more intense. It is not given to mankind today to know what will come out of all this turmoil and conflict; but if we are wise we shall realize that we may have to live in this kind of world for many years to come. If we are to win out in the end—along with the nations associated with us—we must keep our resolution strong and our vision clear. There are no saner, steadier people anywhere in the world than the Canadian people, and they must have courageous leadership to guide them along the right paths. In these dangerous days we cannot have both ease and sacrifice. If we put both ease and security first—and if the other Western nations do the same—then undoubtedly in the end we will have lost our ease and security because we have lost our freedom.

Your Committee wishes to express its thanks to all the witnesses who appeared before it for the assistance they gave to the Committee in carrying on its work.

All which is respectfully submitted,

T. A. CRERAR,
Chairman.

OTTAWA, June 19th, 1952.

Exhibit No. 1

SUMMARY OF ANNUAL ESTIMATES

BY STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

This Summary, which is similar in form to the one prepared in the spring of 1951, sets out, by Standard Objects and Special Categories, the provision included in the Estimates for the current and certain previous years. The detail for the current year (1952-53) has been taken directly from the "Summary of Standard Objects of Expenditure and Special Categories" which is enclosed in an envelope at the back of the Blue Book of Estimates for 1952-53. The figures for 1951-52 exceed those shown on that "Summary" because they have been increased by the amounts included in the Further Supplementary Estimates (2) and (3), 1951-52, which were passed on April 1, 1952. For each past year, total Estimates are shown in each case.

As was indicated in the notes concerning the Summary which was prepared last year, the Estimates for 1949-50 and 1938-39 were not susceptible to accurate classification on this basis as the Estimates of more recent years have been because the breakdowns for those years did not conform in all instances to the Standard Object pattern. Where accurate classification was not possible, judgment was exercised in deciding where to include the items in question. Moreover, in some places, where provision was made for a combination of purposes now covered by separate Standard Objects, it was only possible to arrive at a rough proportionate breakdown among the Objects now used.

Minor adjustments have also been made in the figures for 1951-52 where Objects have since been re-defined in an effort to improve the classification but, apart from four major readjustments, it has not been thought worth while to carry minor adjustments back into the figures for the earlier years, because such adjustments require a disproportionate expense in tracing details in various departments.

SUMMARY OF ANNUAL ESTIMATES

BY STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

DEPARTMENT OTHER THAN DEFENCE

	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(1) Civil salaries and wages	333,888	309,552	284,505	276,931	74,271
(2) Civilian allowances ...	7,631	6,674	5,964	5,172	1,183
(3) Pay and allowances R.C.M. Police	17,138	14,741	10,157	8,227	3,750
(4) Professional and special services	25,904	27,349	23,926	22,155	4,104
(5) Travelling and removal expenses	13,991	14,425	13,816	12,808	3,504
(6) Freight, express and cartage	2,598	2,573	2,159	2,097	479
(7) Postage	3,275	3,203	3,092	2,918	449
(8) Telephones, telegrams and other communica- tion services	5,638	5,009	4,740	4,475	689
(9) Publication of depart- mental reports and other material	4,368	4,526	4,250	3,950	....
(10) Films, displays, adver- tising and other infor- mational publicity	7,347	7,146	6,681	6,155	1,794
(11) Office stationery, sup- plies, equipment and furnishings	12,135	12,220	11,537	11,356	2,464

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	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(12) Materials and supplies	43,082	39,978	37,627	32,920	5,957
Buildings and works, including land—					
(13) Construction or acquisition	136,449	131,094	146,679	144,949	30,631
(14) Repairs and upkeep	17,790	16,430	18,392	15,103	2,958
(15) Rentals	8,840	8,303	8,031	7,194	1,763
Equipment—					
(16) Construction or acquisition	20,846	18,206	19,980	16,482	2,013
(17) Repairs and upkeep	5,850	5,322	5,050	4,386	584
(18) Rentals	1,144	1,083	1,162	597	....
(19) Municipal or public utility services	6,991	6,193	5,334	4,371	924
(20) Contributions, grants, subsidies, etc., not included elsewhere	99,803	115,615	182,935*	116,023	50,629
(21) Pensions, super-annuation and other benefits..	17,857	116,296*	87,387*	9,168	5,446
(22) All other expenditures (other than special categories)	17,628	16,158	20,881	31,689	12,254
Total standard objects	810,183	882,096	904,285	739,126	205,846
<i>Special Categories</i>					
(23) Interest on public debt and other debt charges..	435,518	437,674	433,046	451,441	132,368
(24) Subsidies and special payments to the provinces	32,308*	115,135	106,335	127,365	21,210
(25) Family allowances payments	332,150	320,000	307,000	284,880	....
(26) Old age pensions and assistance and allowances to the blind	345,000*	187,350*	104,697	74,646	30,541
(27) Veterans disability pensions and other payments under the Pension Act	125,546	103,775	99,739	101,589	40,920
(28) Other payments to veterans and dependents	40,653	56,811	63,578	92,929	9,445
(29) Government's contribution to the unemployment insurance fund ..	32,000	30,200	26,350	23,000	....
(30) General health grants	27,500	25,000	25,000	33,200	....
(31) Trans-Canada highway contributions	15,000	15,238	21,350	....	....
(32) Movement of mail by land, air and water (Post Office)	40,054	38,185	38,557	34,104	15,574
(33) Deficits—government owned enterprises	2,971*	17,895	10,778	49,407	57,185
Total special categories ..	1,428,700	1,347,263	1,236,430	1,272,561	307,243
Total standard objects and special categories	2,238,883	2,229,359	2,140,715	2,011,687	513,089
(34) Less estimated savings and recoverable items	9,523	24,930*	4,886	2,772	104
Net Total estimated expenditures	2,229,360	2,204,429	2,135,829	2,008,915	512,985

NOTES*

- (20) Includes a payment of \$65 million to the Canadian Wheat Board.
- (21) Includes \$75 million in 1950-51 and 1951-52, being the First and Second Installments of a special Government Contribution to the Civil Service Superannuation Account.
- (24) Does not include payments of Compensation to Provinces which will undoubtedly be required when new Tax Rental Agreements are entered into in 1952. Only the final instalments payable under existing Agreements are included in this amount.
- (26) This category includes the amount shown in the Estimates as the total payments of Old Age Security pensions from the Old Age Security Fund.
- (33) Does not include in 1952-53 such items as the C.N.R. Deficit as the practice has been to provide for such items in the Further Supplementary Estimates at the end of the fiscal year.
- (34) Includes a \$19 million adjustment entry (anticipated revenue from specific taxes earmarked for the Old Age Security Fund—Vote 608, Further Supplementary Estimates (2), 1951-52), but no such adjusting item is included for 1952-53.

SUMMARY OF ANNUAL ESTIMATES

BY STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

	NATIONAL DEFENCE, *DEFENCE PRODUCTION AND CIVIL DEFENCE				
	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(1) Civil salaries and wages	81,429	61,790	44,625	41,611	2,586
(2) Civilian allowances ...	715	1,104	487	316	2
(3) Pay and allowances, defence forces	251,494	208,597	138,346	112,526	11,395
(4) Professional and special services	11,767	8,675	4,822	3,897	198
(5) Travelling and removal expenses	32,430	22,188	13,985	10,964	1,101
(6) Freight, express and cartage	17,951	10,797	8,660	5,974	167
(7) Postage	463	479	255	253	6
(8) Telephones, telegrams and other communication services	5,239	3,477	2,409	2,074	57
(9) Publication of departmental reports and other material	2,619	2,175	1,381	1,276	....
(10) Films, displays, advertising and other informational publicity	3,115	3,616	1,995	1,022	5
(11) Office stationery, supplies, equipment and furnishings	6,164	6,071	2,488	1,662	232
(12) Materials and supplies	383,342	296,221	108,225	64,568	190
Buildings and works, including land—					
(13) Construction or acquisition	330,784	311,465	77,160	52,384	4,261
(14) Repairs and upkeep	39,608	30,054	20,537	15,448	1,046
(15) Rentals	1,276	1,050	974	840	....
Equipment—					
(16) Construction or acquisition	711,504	609,279	127,142	73,988	12,265
(17) Repairs and upkeep	139,752	98,772	62,074	45,604	588
(18) Rentals	2	....	....	....	....
(19) Municipal or public utility services	5,754	3,576	3,402	2,964	....
(20) Contributions, grants, subsidies, etc., not included elsewhere	3,696	1,862	4,190	1,383	104

* No provision for Defence Production during 1938-39. For 1949-50, only Canadian Arsenals, Limited is included in the figures in this table.

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	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(21) Pensions, super- annuation and other benefits	35,743	36,234	16,163	14,365	2
(22) All other expenditures (other than special categories)	42,164	13,163	206,849	6,838	1,762
Total standard objects ...	2,107,011	1,730,645	846,169	459,957	35,967
(23)-(33) Special categories	....	....	....	....	....
Total standard objects and special categories	2,107,011	1,730,645	846,169	459,957	35,967
(34) Less estimated sav- ings and recoverable items	575	2,723	55,186	68,823	....
Net total estimated expenditures	2,106,436	1,727,922	790,983	391,134	35,967

SUMMARY OF ANNUAL ESTIMATES
BY STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

TOTAL, ALL DEPARTMENTS

	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(1) Civil salaries and wages	415,317	371,342	329,130	318,542	76,857
(2) Civilian allowances ...	8,346	7,778	6,451	5,488	1,185
(3) Pay and allowances, defence forces and R.C.M. Police	268,632	223,338	148,503	120,753	15,145
(4) Professional and special services	37,671	36,024	28,748	26,052	4,302
(5) Travelling and removal expenses	46,421	36,613	27,801	23,772	4,605
(6) Freight, express and cartage	20,549	13,370	10,819	8,071	646
(7) Postage	3,738	3,682	3,347	3,171	455
(8) Telephones, telegrams and other communica- tions services	10,877	8,486	7,149	6,549	746
(9) Publication of depart- mental reports and other material	6,987	6,701	5,631	5,226	....
(10) Films, displays, adver- tising and other infor- mational publicity	10,462	10,762	8,676	7,177	1,799
(11) Office stationery, sup- plies, equipment and furnishings	18,299	18,291	14,025	13,018	2,696
(12) Materials and supplies	426,424	336,199	145,852	97,488	6,147
Buildings and works, including land—					
(13) Construction or acquisition	467,233	442,559	223,839	197,333	34,892
(14) Repairs and upkeep	57,388	46,484	38,929	30,551	4,004
(15) Rentals	10,116	9,353	9,005	7,034	1,763
Equipment—					
(16) Construction or acquisition	732,350	627,485	147,122	90,470	14,278
(17) Repairs and upkeep	145,602	104,094	67,124	49,990	1,172
(18) Rentals	1,146	1,083	1,162	597	....
(19) Municipal or public utility services	12,745	9,769	8,736	8,335	924
(20) Contributions, grants, subsidies, etc., not in- cluded elsewhere	103,499	117,477	187,125*	117,406	50,733

STANDING COMMITTEE

	1952-53 (000's omitted)	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(21) Pensions, superannuation and other benefits..	53,600	152,530*	103,550*	23,533	5,448
(22) All other expenditures (other than special categories)	59,792	29,321	227,730	38,527	14,016
Total standard objects	2,917,194	2,612,741	1,750,454	1,199,083	241,813
<i>Special Categories</i>					
(23) Interest on public debt and other debt charges..	435,518	437,674	433,046	451,441	132,368
(24) Subsidies and special payments to the provinces	32,308*	115,135	106,335	127,365	21,210
(25) Family allowances payments	332,150	320,000	307,000	284,880	....
(26) Old age pensions and assistance and allowances to the blind.....	345,000*	187,350*	104,697	74,646	30,541
(27) Veterans disability pensions and other payments under the Pension Act	125,546	103,775	99,739	101,589	40,920
(28) Other payments to veterans and dependents	40,653	56,811	63,578	92,929	9,445
(29) Government's contribution to the unemployment insurance fund ...	32,000	30,200	26,350	23,000	....
(30) General health grants	27,500	25,000	25,000	33,200	....
(31) Trans-Canada highway contributions	15,000	15,238	21,350	....	....
(32) Movement of mail by land, air and water (Post Office)	40,054	38,185	38,557	34,104	15,574
(33) Deficits—Government and enterprises	2,971*	17,895	10,778	49,407	57,185
Total special categories..	1,428,700	1,347,263	1,236,430	1,272,561	307,243
Total standard objects and special categories	4,345,894	3,960,004	2,986,884	2,471,644	549,056
(34) Less estimated savings and recoverable items ..	10,098	27,653*	60,072	71,595	104
Net total estimated expenditures	4,335,796	3,932,351	2,926,812	2,400,049	548,952

NOTES*

- (20) Includes a payment of \$65 million to the Canadian Wheat Board.
- (21) Includes \$75 million in 1950-51 and 1951-52, being the first and second instalments of a special government contribution to the Civil Service Superannuation Account.
- (24) Does not include payments of compensation to provinces which will undoubtedly be required when new Tax Rental Agreements are entered into in 1952. Only the final instalments payable under existing Agreements are included in this amount.
- (26) This category includes the amount shown in the Estimates as the total payments of Old Age Security pensions from the Old Age Security Fund.
- (33) Does not include in 1952-53 such items as the C.N.R. Deficits as the practice has been to provide for such items in the Further Supplementary Estimates at the end of the fiscal year.
- (34) Includes a \$19 million adjustment entry (anticipated revenues from specific taxes earmarked for the Old Age Security Fund—Vote 608, Further Supplementary Estimates (2), 1951-52), but no such adjusting item is included for 1952-53.

EXPLANATORY NOTES COVERING THE STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

STANDARD OBJECTS (ITEMS 1 to 22)

1. *Civil Salaries and Wages*

Includes salaries and wages of all civilian full time, part time, seasonal and casual personnel normally considered as "Government Employees" (but does not include employees of Crown Companies and such Agencies) whether paid at hourly, daily, weekly, monthly or annual rates of pay and includes overtime or any other special pay. It also includes Judges' salaries, those of the Governor General and Lieutenant Governors and the indemnities to Members of both Houses of Parliament but does not include persons engaged for a specific project where pay and other costs would normally enter into the total cost of the project.

2. *Civilian Allowances*

Includes all types of Allowances paid to or in respect of personnel normally considered as "Government Employees", such as Living Allowances, Terminable Allowances, Officer-in-Charge Allowances, Living and Representation Allowances Abroad, Special Service Allowances, Mileage Allowances to Railway Mail Service Staffs, Allowances for Assistants, Northern Allowances, Isolation Allowances, Board and Subsistence Allowances, and other such allowances. Also includes Ministers' Motor Car Allowances, and the Expense Allowances to Senators and Members of the House of Commons.

3. *Pay and Allowances—Defence Forces and R.C.M. Police*

Includes Pay and all types of allowances (except travel allowances included in Item No. 5 below) payable to members of the Defence Forces and the Royal Canadian Mounted Police, including Subsistence Allowances and other perquisites common to such Services.

4. *Professional and Special Services*

Includes provision for services performed by individuals or organizations outside a particular departmental service, other than such services identified with specific works projects or with projects and programs for which provision is made under Items 9 and 10; payments in the nature of fees, commissions, etc. for professional and special services such as legal services, architects', engineers', analysts' and accountants' services, reporters', translators', and writers' services; medical and dental services, Doctors and Nurses for Veterans Treatment and examination of Pension Applicants, Hospital Treatment and Care and other outside technical, professional and other expert assistance; annuities and other agents paid on a fee or commission basis, payments to church organizations for Indian education and Corps of Commissioners services. It includes armoured car service and other operational and maintenance services performed under contract other than those more properly classified under other Objects, such as the Marconi-operated Radio Stations of the Department of Transport which are included in Item No. 8.

5. *Travelling and Removal Expenses*

Includes Travelling and Transportation expenses of Government Employees, Members of the Defence Forces and the Royal Canadian Mounted Police, removal expenses of those persons and their dependents, and living and other expenses of such persons on travel status; Judges' travelling expenses and travelling expenses and allowances payable to Senators and Members of the House of Commons. It also includes transportation of persons by contract and chartered facilities or by other means, automobile mileage, aeroplane

fares, local transportation, etc., travelling expenses of persons engaged in field survey work, inspections and investigations. Does not include Travelling and Transportation of other than Government Employees such as travel costs for Deports, Applicants for Treatment or Pensions (Veterans), etc., which are classified under Item No. 22.

6. *Freight, Express and Cartage*

Includes the cost of transportation of goods other than initial delivery costs on a purchase which is included in the Object covering the cost of the purchase itself. These costs range from the movement of mails from city Post Offices to the various Government Departments, to the movement of heavy equipment between camps and other establishments of the Defence Services.

7. *Postage*

Includes ordinary postage, air mail, registered mail, special delivery mail, Post Office Box rentals and any other postal charges. Does not, of course, include provision for mail enjoying the "frank" privilege.

8. *Telephones, Telegrams and Other Communication Services*

Includes all costs of communication services by telephone, telegram, cable, teletype, radio and wireless communication, and includes tolls, rates, rentals and other communication costs such as Courier Services provided by outside agencies and communication services performed under contract or agreement such as the Marconi-operated Radio Stations of the Department of Transport.

9. *Publication of Departmental Reports and other Material*

Includes provision for the publication, through the Queen's Printer of Departmental Reports and other material, including informational and educational bulletins and pamphlets; publications on scientific and technical matters, natural resources, statistics and other such material; *Hansard* and other Parliamentary Papers; maps, charts, etc. The costs of printing, binding, engraving, lithographing, artwork, mats, writers' fees, and other costs attributable to specific publication projects and programs are included hereunder, with the exception of those belonging under Objects Nos. 1, 2 and 5. The costs of publications and material produced wholly within a Service are distributed throughout other Objects. The printing of forms and other stationery is included under Object No. 11.

10. *Films, Displays, Advertising and Other Informational Publicity with the Exception of Publications*

Includes provision for films, displays and other visual materials; advertising for publicity and general purposes, including advertising for tenders (except that charges directly arising from specific construction projects or purchases are included under such headings). It includes publication of proclamations, announcements, notices, etc., and various forms of educational and informational publicity by radio, poster, press and other means. The costs of artwork, writers' fees, casual employees hired for a specific project, and other costs attributable to the foregoing are included hereunder with the exception of those belonging under Objects Nos. 1, 2 and 5, and the costs of projects or programs produced wholly within a service where the costs are distributed throughout other objects. Total provision for the operation of the National Film Board and the International Service of the Canadian Broadcasting Corporation is included under this item.

11. *Office Stationery, Supplies, Equipment and Furnishings*

Includes stationery, envelopes, blotting paper and other office supplies such as pens, pencils, erasers, ink, etc.; printed forms, including tax return, statistical

and like forms; letterheads; ledgers and ledger sheets, carbon paper, stencils and other paper supplies; the purchase, repair and rental of office machines and appliances, including typewriters, adding machines, calculators, recording machines, tabulating machines, microfilming equipment and supplies, inter-office communication equipment, postal meter machines, machine records and all other office equipment; also includes, desks, chairs, filing cabinets and such office furnishings; books, newspapers and periodicals for office or library use.

12. *Materials and Supplies*

Includes provision for materials and supplies required for normal operation and maintenance of government services (other than office stationery, supplies and furnishings). It includes gasoline and oil purchased in bulk; fuel for ships, planes, transport, heating, etc.; feed for livestock; food and other supplies for ships and other establishments; livestock purchased for ultimate consumption or resale; seed for farming operations; food, clothing and other supplies for sick and indigent Indians; text books and school supplies purchased for Indian schools; books and other publications purchased for outside distribution; uniforms and kits; coining and refining supplies for the Mint; photographs, maps and charts purchased for administrative and operational purposes; laboratory and scientific supplies, including samples for testing; drafting, blue-printing and artists supplies; supplies for surveys, investigations, etc.; chemicals, hospital, surgical and medical supplies; mail bags for transportation of mails; char service supplies; coal, wood and electrical supplies; and all other materials and supplies other than those purchased for construction or repair projects which would normally be charged to such projects.

13. *Construction or Acquisition of Buildings and Works, including Acquisition of Land*

Includes provision for all expenditures on new construction of buildings, roads, irrigation works, canals, airports, wharfs, bridges and other such type of fixed asset, and reconstruction of such type of assets, improvements involving additions or changes of a structural nature, and also the installed cost of fixed equipment which is essentially a part of the work or structure such as elevators, heating and ventilating equipment, etc. It includes all such projects performed under contract or agreement or undertaken by a Department directly. The purchase of land is also included. The cost of casual employees hired for specific projects is included but not the cost of continuing employees assigned to work full or part time on such projects.

14. *Repairs and Upkeep of Buildings and Works*

Includes materials, supplies and other charges entering directly into the cost of repair and upkeep of the type of durable physical assets indicated under Item No. 13 above. It includes repair and upkeep projects performed under contract or agreement or undertaken by a department directly.

15. *Rentals of Land, Buildings and Works*

Includes provision for rentals of properties required for special purposes by the various departments and for the accommodation of government offices and services by the Department of Public Works. Also includes rentals of space for storage of motor cars and other equipment and supplies.

16. *Construction or Acquisition of Equipment*

Includes provision for all new machinery, equipment and furnishings (other than office equipment and office furnishings), and includes motor vehicles, aeroplanes, tractors, road equipment, laboratory and other scientific equipment, vessels, icebreakers and other aids to navigation and all other types of light and heavy equipment, and includes various types of such equipment for national

defence, such as ships, aircraft, mechanical equipment, fighting vehicles, weapons, engines, and such spare parts as are normally acquired with that equipment; workmen's tools, farm implements, furniture and furnishings required for other than normal office purposes. Also includes livestock, horses and dogs purchased for employment as such rather than for ultimate consumption or resale. (See Item No. 12 above.)

17. Repairs and Upkeep of Equipment

Includes all materials, repair and replacement parts and other costs entering directly into the cost of repair and upkeep of the type of equipment indicated in Item No. 16 above.

18. Rentals of Equipment

Includes provision for hire and charter—with or without crew—of vessels, aircraft, motor vehicles and other equipment (but excluding hire of such vehicles primarily for travel or cartage covered in other items, or hire of vehicles or other equipment for works projects where the rental would normally be included in the costs of the projects).

19. Municipal or Public Utility Services

Includes provision for all payments for services of a type normally provided by a municipality, school board, or public utility service such as the supply of water, electricity, gas, etc., and includes water rates, light, power and gas services; school fees; and payment for such services whether obtained from the municipality or elsewhere; taxes and water rates on diplomatic properties. Also includes payments to municipalities in lieu of taxes and local improvement charges.

20. Contributions, Grants, Subsidies, etc., Not Included Elsewhere

Includes contributions to international and other organizations; contributions toward the cost of joint undertakings and programs not directly the responsibility of the Federal Government; contributions or grants to governments outside of Canada, whether in money or in kind; grants to national organizations such as the Boy Scouts Association and agricultural, health, welfare and similar organizations; subsidies to primary and other industries; contributions under agreements with the Provinces for vocational training and other purposes, unless otherwise provided for in special categories; payments under the Maritime Freight Rates Act; grants to various exhibitions, etc.; research grants and other assistance toward research carried on by non-governmental organizations; scholarships and similar payments. Does not include Grants to Municipalities in lieu of taxes (Item No. 19); Subsidies and Special Payments to the Provinces (Item No. 24); Government's contribution to the Unemployment Insurance Fund (Item No. 29); General Health Grants paid to Provinces (Item No. 30); contributions to the Provinces for the Trans-Canada Highway (Item No. 31); nor the Deficits on Government Owned Enterprises (Item No. 33).

21. Pensions, Superannuation and Other Benefits in Consideration of Personal Services

Includes pensions, superannuation and other benefits to former civilian Government employees and ex-members of the Royal Canadian Mounted Police or their dependents. It also includes payment of compensation under the Government Employees Compensation Act, the Government's contribution to the Superannuation Fund, Sick Mariners Dues, Judges Pensions, Gratuities in lieu of Retiring Leave, Gratuities to Families of Deceased Employees, payments under the Defence Services Pension Act and the Government's contribution as an employer to the Unemployment Insurance Fund. It does not, however,

include the Government's contribution to the Unemployment Insurance Fund which represents one-fifth of the net amount contributed by employers and employees combined (Item No. 29), Disability Pensions in respect of World Wars 1 and 2 (Item No. 27), nor Other Payments to Veterans and Dependents (Item No. 28).

22. *All Other Expenditures (Other than Special Categories)*

Includes minor residual items shown as "Sundries" in practically all votes. These include such costs as towel service, laundering and dry cleaning, loss of personal effects, bonding of Government employees, and other small miscellaneous articles and services. It includes licences, permits, dockage, towage, wharfage and mooring privileges; works of art for exhibits, and historical material for galleries, museums and archives. It includes travel costs incurred for other than Government employees, e.g., immigrants, veteran patients and migrant labour. Also included is provision for many items and services detailed throughout the Estimates which do not lend themselves to distribution under the specific headings detailed in this Summary.

SPECIAL CATEGORIES (ITEMS 23 TO 33)

23. *Interest on Public Debt and Other Debt Charges*

Includes interest on the Funded Debt of Canada (including Treasury Bills) and on other liabilities such as Trust and Other Special Funds. It also includes costs of issuing new loans, Annual Amortization of Bond Discount, Premiums and Commissions, and other costs of servicing the Public Debt.

24. *Subsidies and Special Payments to the Provinces*

Includes Provincial Subsidies payable under the British North America Act and subsequent arrangements; Special Compensation to the Provinces in lieu of certain taxes as provided in the Tax-Rental Agreements. It also includes certain payments to Newfoundland under the Terms of Union. In general, it does not include payments made to Provinces for expenditure for specific purposes, some of which are included in Items Nos. 20, 26, 30 and 31.

25. *Family Allowance Payments*

Payments of monthly allowances authorized by the Family Allowances Act—Chap. 40, Statutes of 1944-45 (as amended).

26. *Old Age Pensions, including Allowances to the Blind*

Includes pensions authorized by the Old Age Security Act, payment of the Federal Government's 50% share of old age assistance authorized by the Old Age Assistance Act, and payment of the Federal Government's 75% share of allowances paid to blind persons under the Blind Persons Act.

27. *Veteran's Disability Pensions and Other Payments under the Pension Act*

Includes pensions and other payments authorized under the Pension Act, the Civilian War Pensions and Allowances Act and the Civilian Government Employees (War) Compensation Order. This covers both Wars 1 and 2 and includes a small amount in respect of the Northwest Rebellion of 1885.

28. *Other Payments to Veterans and Dependents*

Includes provision for War Veterans Allowances, including the Assistance Fund, Veterans Hospital and Other Allowances, Unemployment Assistance for Veterans, Post Discharge Rehabilitation Benefits, War Service Gratuities, Re-establishment Credits, and other Sundry Items.

29. *Government's Contribution to the Unemployment Insurance Fund*

Provides for the Government's contribution to the Unemployment Insurance Fund and represents one-fifth of the net amount contributed by employers and employees combined.

30. *General Health Grants*

Provides for General Health Grants to the Provinces under terms and conditions approved by the Governor in Council to assist in Health Surveys, Hospital Construction, strengthening general public health services, eradication of tuberculosis, prevention of mental illness, control of venereal diseases, prevention and correction of crippling conditions in children, training of public health and hospital personnel, public health research and programs for cancer control.

31. *Trans-Canada Highway Contributions*

Covers payments to those Provinces which have entered into agreements with the Federal Government under the Trans-Canada Highway Act, Chap. 40, Statutes of 1949, in respect of the construction of the Trans-Canada Highway.

32. *Movement of Mail by Land, Air and Water (Post Office)*

Includes provision under the Post Office Department for Mail Service by Railway, by Steamboat, by Air and by Ordinary Land Conveyance, including Rural Mail Delivery.

33. *Deficits—Government Owned Enterprises*

Includes provision for the Deficits incurred in the operation of the Hudson Bay Railway, the Northwest Communications System, the Prince Edward Island Car Ferry and Terminals, the Canadian National (West Indies) Steamships, Limited, and Churchill Harbour.

34. *Less—Estimated Savings and Recoverable Items*

In certain special instances it is necessary for commitment and control purposes to detail total requirements of services but, in order that the actual amount of cash requirements only may be voted, deductions are made of estimated savings or recoverable amounts. Since the Standard Objects are made up of the gross requirements, the total of those Objects must be reduced by these deductions in order to arrive at the total amount provided in the Estimates.

Exhibit No. 2

COMBINED REVENUES AND EXPENDITURES—ALL GOVERNMENTS
IN CANADA

Fiscal Years Ended Nearest December 31st, 1939, 1949 and 1950

STATEMENTS ATTACHED

Source: 1939—"Comparative Statistics of Public Finance", prepared for the Dominion-Provincial Conference on Reconstruction, 1945.

1949 and 1950—Based on compilations of the Dominion Bureau of Statistics and Bank of Canada, for comparative purposes.

Explanatory Note: The totals appearing on line 23 of the revenue table and line 18 of the expenditure table do not include intergovernment transfers. For instance, subsidies authorized by the B.N.A. Act and other Acts and compensation to provinces as provided in the Dominion-Provincial Tax Rental Agreements Act are excluded from expenditures of the Federal government and correspondingly omitted from the revenues of the provinces. However, grants-in-aid, etc., for specific services, such as for old age pensions, are included as expenditures of the government making the grant and deducted from the gross expenses of the other level of government which received the grant.

These procedures are followed to avoid duplication in order to produce additive totals of both revenues and expenditures for all levels of government.

COMBINED REVENUES — ALL GOVERNMENTS
SUMMARY
Fiscal Years Ended
(Thousands)

ITEM NTO.		TOTAL		
		1939	1949	1950(b)
	Taxes:			
	Income and Corporation Taxes—			
1.	Personal Income Taxes.....	60,678	622,104	652,420
2.	Corporate Income Taxes.....	89,452	707,514	961,606
3.	Other Corporation Taxes.....	23,153	24,866	27,312
4.	Withholding Tax.....	11,122	47,475	61,610
5.	Sub-Total (Items 1 to 4).....	184,405	1,401,959	1,702,948
6.	Succession Duties.....	27,850	59,084	65,482
7.	Real and Personal Property.....	248,922	373,759	408,087
8.	Customs Duties and Other Import Taxes.....	106,819	226,403	296,433
	Excise Duties and Sales Taxes:			
9.	Gasoline Taxes.....	53,069	137,759	155,293
10.	Liquor Taxes Including Liquor Control.....	54,423	241,513	266,499
11.	Tobacco Taxes.....	42,447	215,912	216,998
12.	General Sales Taxes.....	144,861	481,343	561,646
13.	Amusement Taxes.....	2,615	20,359	18,814
14.	Other Commodities.....	24,175	75,174	131,489
15.	Other Taxes.....	25,547	72,823	80,451
16.	Total Taxes (Items 5 to 15).....	915,133	3,306,088	3,904,140
	Licences, Permits and Fees—			
17.	Motor Vehicle.....	28,092	58,198	66,960
18.	Other.....	18,498	33,472	37,944
19.	Sub-Total (Items 17 and 18).....	46,590	91,670	104,904
20.	Public Domain.....	24,754	94,128	115,861
21.	Public Utility Contributions to Municipalities.....	10,181	23,718	24,062
22.	Other Revenue.....	36,556	138,201	143,712
23.	Total Revenue.....	1,033,214	3,653,895	4,292,679
	INTER-GOVERNMENT TRANSFERS NOT INCLUDED IN ABOVE SUMMARY			
24.	Federal Subsidies to Provinces.....	19,184	19,109	18,674
25.	Provincial Subsidies to Municipalities.....	4,507	9,569	13,259
26.	Transitional Grant to Newfoundland.....		6,500	6,500
27.	Dominion-Provincial Tax Agreements.....		79,780	92,640
28.	Share of Income Tax on Electric Power Utilities.....		1,515	4,457
29.	Interest on Common School Fund and School Lands Fund Debentures.....	1,585	1,466	800
30.	Grants in Lieu of Taxes on Federal Property.....			1,267
31.	Nova Scotia Highway Tax.....	452	251	245
32.	Manitoba Municipal Commissioner's Levy.....	828	527	517
33.	TOTAL (m).....	26,556	118,717	138,359

(a) Includes statistics of Newfoundland for the years 1949 and 1950.

(b) Preliminary.

(c) Revised.

(d) Includes an estimate of the statistics for Quebec.

(e) The 5% tax on corporations income collected by the Federal government is excluded from Federal and included in Provincial.

(f) Includes \$25,000 thousands excess portion of reserve for refundable excess profits tax transferred to revenue.

(g) In 1939 and 1949 consists of chartered banks note circulation tax and tax on net premiums of insurance companies; in 1950 consists of tax on net premiums of insurance companies.

IN CANADA FOR 1939, 1949 and 1950

BY SOURCE

Nearest December 31
of Dollars)

FEDERAL			PROVINCIAL(a)			MUNICIPAL(a)			Item
1939	1949(c)	1950	1939	1949	1950(b)	1939	1949(d)	1950(b)	No.
45,407	621,982	652,328	12,113	122	92	3,158			1.
77,920	601,405(e)	834,338(e)(f)	11,082	106,109(e)	127,268(e)	450			2.
1,875(g)	3,910(g)	4,228(g)	21,278	20,956	23,084				3.
11,122(h)	47,475(h)	61,610(h)							4.
136,324	1,274,772	1,552,504	44,473	127,187	150,444	3,608			5.
	29,920	33,599	27,850	29,164	31,883				6.
			5,504	4,450	5,219	243,418(i)	369,309(i)	402,868(i)	7.
106,819	226,403	296,433							8.
			53,069	137,759	155,293				9.
21,014	107,077	129,209	33,409	134,436	137,290				10.
42,447	206,334	206,995		9,578	10,003				11.
137,446	403,437	460,121	2,717	61,899	75,843	4,698	16,007	25,682	12.
			2,615	20,359	18,814				13.
24,175(j)	75,174	131,489							14.
			2,624	25,013(k)	27,884(k)	22,923	47,810	52,567	15.
468,225	2,323,117	2,810,350	172,261	549,845	612,673	274,647	433,126	481,117	16.
									17.
			28,092	53,198	66,690				18.
2,542	3,430	5,250	8,975	17,130	18,616	6,981	12,912	14,078	19.
2,542	3,430	5,250	37,067	75,328	85,576	6,981	12,912	14,078	20.
736	1,790	2,360	24,018	92,428	113,501				21.
8,524	82,881(l)	87,618(l)	2,877	13,241	12,943	10,181	23,718	24,062	22.
						25,155	42,079	43,151	23.
480,027	2,411,218	2,905,578	236,223	730,842	824,693	316,964	511,834	562,408	24.
									25.
			19,184	19,109	18,674				26.
						4,507	9,569	13,259	27.
				6,500	6,500				28.
				79,780	92,640				29.
				1,515	4,457				30.
			1,585	1,466	800			1,267	31.
			452	251	245				32.
			828	527	517				33.
			22,049	109,148	123,833	4,507	9,569	14,526	

(h) Chiefly on non-residents.

(i) Excludes personal property which is inseparable from Other Taxes and included in Item 15.

(j) The 3% tax on imports is excluded from here and included in Item 8.

(k) Includes hospitalization tax.

(l) Includes \$31,596 thousands (1949) excess of refunds over expenditures re: Expansion of Industry and \$41,918 thousands (1950) excess of refunds over expenditure re: Expansion of Industry and Price Control and Rationing.

(m) Discrepancies between the amounts shown on this table and the expenditure table as Inter-government Transfers are due to variations in the fiscal year ends and accounting practices of governments.

STANDING COMMITTEE

COMBINED EXPENDITURES — ALL GOVERNMENTS
CURRENT AND CAPITAL ACCOUNTSFiscal Years Ended
(Thousands)

Item No.		TOTAL		
		1939	1949	1950(b)
1.	Debt Charges, Net, Excluding Debt Retirement.....	264,300	490,159	446,824
	Public Welfare			
2.	Health and Hospital Care.....	47,145	194,579	216,919
3.	Labour and Unemployment Insurance.....	3,272	52,182	60,209
4.	Relief.....	82,629	18,754	17,812
5.	Old Age Pensions.....	39,587	127,906	140,592
6.	Family Allowances.....		299,347	311,277
7.	Other.....	35,613	117,812	129,055
8.	Sub-Total (Items 2 to 7).....	208,246	810,580	875,864
9.	Education.....	128,682	406,590	460,337
10.	Transportation, Highways, Bridges, Airways, Railways, Waterways, etc.....	163,159	514,022	489,556
11.	Agriculture.....	60,498	107,700	171,642
12.	Public Domain.....	37,643	103,602	99,134
13.	National Defence.....	126,915	372,598	759,779
14.	Veterans' Pensions and Aftercare.....	55,267	202,466	191,777
15.	Expansion of Industry.....	247		
16.	Price Control and Rationing.....	55	2,748	
17.	Other Expenditure.....	184,644	493,159	620,790
18.	Total Expenditure.....	1,230,661	3,503,622	4,115,703
	INTER-GOVERNMENT TRANSFERS NOT INCLUDED IN ABOVE SUMMARY			
19.	Federal Subsidies to Provinces.....	19,244	19,170	18,735
20.	Provincial Subsidies to Municipalities.....	4,511	12,674	14,017
21.	Transitional Grant to Newfoundland.....		6,500	6,500
22.	Dominion-Provincial Tax Agreements.....		76,881	94,123
23.	Share of Income Tax on Electric Power Utilities.....		1,375	4,565
24.	Interest on Common School Fund and School Lands Fund Debentures.....	1,585	1,466	800
25.	Grants in Lieu of Taxes on Federal Property.....		200	1,378
26.	Nova Scotia Highway Tax.....	455	246	246
27.	Manitoba Municipal Commissioner's Levy.....	763	473	482
28.	TOTAL(g).....	26,558	118,985	140,846

(a) Includes statistics of Newfoundland for the years 1949 and 1950.

(b) Preliminary.

(c) Revised.

(d) Includes an estimate of the statistics for Quebec.

IN CANADA FOR 1939, 1949 and 1950

— SUMMARY BY SERVICES

Nearest December 31
of Dollars)

FEDERAL			PROVINCIAL ^(a)			MUNICIPAL ^(a)			Item No.
1939	1949(c)	1950	1939	1949	1950(b)	1939	1949(b)	1950(b)	
151,653	406,766	358,563	60,719	52,593	54,406	51,928	30,800	33,855	1.
1,153	19,451	22,536	30,432	138,549	154,056	15,560	36,579	40,327	2.
1,282	48,310	56,304	1,990	3,872	3,905	.....	.....	.....	3.
23,620	.....	.....	42,811	13,267	11,618	16,198	5,487	6,194	4.
29,121	89,725	99,346	10,279	38,181	41,246	187	.....	.....	5.
.....	299,347	311,277	.....	.....	.....	.....	.....	.....	6.
4,433	20,482	22,188	12,371	31,754	39,095	18,809	65,576	67,772	7.
59,609	477,315	511,651	97,883	225,623	249,920	50,754	107,642	114,293	.....
3,543	28,691	22,196	38,004	157,346	177,702	87,135	220,553	260,439	9.
46,041 (e)	157,612 (e)	127,219 (e)	89,103	254,597	251,322	28,015	101,813	111,015	10.
53,151	82,339	148,091	7,347	25,361	23,551	.....	.....	.....	11.
14,577	53,574	45,776	23,071	50,028	53,358	.....	.....	.....	12.
126,915	372,596	759,779	.....	.....	.....	.....	.....	.....	13.
55,267	202,466	191,777	.....	.....	.....	.....	.....	.....	14.
247	(f)	(f)	.....	.....	.....	.....	.....	.....	15.
55	2,748	(f)	.....	.....	.....	.....	.....	.....	16.
60,140	226,480	329,679	38,756	108,381	113,750	86,748	158,298	177,361	17.
571,198	2,010,587	2,494,731	354,883	873,929	924,009	304,580	619,106	696,963	18.
.....
19,244	19,170	18,735	.....	.....	.....	.....	.....	.....	19.
.....	6,500	6,500	4,511	12,674	14,017	.....	.....	.....	20.
.....	76,881	94,123	.....	.....	.....	.....	.....	.....	21.
.....	1,375	4,565	.....	.....	.....	.....	.....	.....	22.
1,585	1,466	800	.....	.....	.....	.....	.....	.....	23.
.....	200	1,378	.....	.....	.....	.....	.....	.....	24.
.....	.....	.....	.....	.....	.....	455	246	246	25.
.....	.....	.....	.....	.....	.....	763	473	482	26.
20,829	105,592	126,101	4,511	12,674	14,017	1,218	719	728	27.
.....	.....	.....	.....	.....	.....	.....	.....	.....	28.

(e) Includes deficits (net after deducting profits) of miscellaneous government-owned transportation enterprises such as Prince Edward Island Car Ferry, Hudson Bay Railway, Canadian National Railways, Trans-Canada Airlines, Quebec and Churchill Harbours and Canadian National (West Indies) Steamships Limited.

(f) Refunds of expenditures exceed expenditures. See footnote (c)—Revenue.

(g) Discrepancies between the amounts shown on this table and on the revenue table as Inter-government Transfers are due to variations in the fiscal year ends and accounting practices of governments.

Exhibit No. 3
NATIONAL INCOME AND GROSS NATIONAL PRODUCT, 1939-1951
(millions of dollars)

	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949 ¹	1950 ¹	1951 ¹
Wages, Salaries and Supplementary Labour Income	2,575	2,929	3,575	4,242	4,783	4,940	4,953	5,323	6,221	7,170	7,761	8,271	9,640
Military Pay and Allowances	32	193	386	641	910	1,068	1,117	340	83	82	115	137	201
Investment Income	917	1,128	1,484	1,761	1,801	1,829	1,859	1,975	2,269	2,464	2,445	3,088	3,655
Net Income of Unincorporated Business:													
Accrued Net Income of Farm Operators from Farm	385	492	490	988	805	1,185	1,010	1,112	1,223	1,518	1,504	1,547	2,138
Net Income of Non-farm Unincorporated Business	464	521	628	705	744	804	901	1,071	1,189	1,326	1,369	1,512	1,595
NET NATIONAL INCOME AT FACTOR COST	4,373	5,263	6,563	8,337	9,043	9,826	9,840	9,821	10,985	12,560	13,194	14,555	17,229
Indirect Taxes Less Subsidies	733	830	1,054	1,085	1,117	1,111	1,003	1,269	1,604	1,772	1,830	2,005	2,386
Depreciation Allowances and Similar Business Costs	610	720	858	1,002	988	957	928	903	1,118	1,276	1,437	1,607	1,763
Residual Error of Estimate	-9	59	42	115	35	60	79	33	61	5	1	-45	-137
GROSS NATIONAL PRODUCT AT MARKET PRICES	5,707	6,872	8,517	10,529	11,183	11,954	11,850	12,026	13,768	15,613	16,462	18,122	21,241

¹ Includes Newfoundland.

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA

(EXCLUDING MEMBERS OF THE ARMED SERVICES AND R.C.M.P.) AS AT MARCH 31, 1939, 1948, 1949, 1950, 1951 AND 1952

Numbers Reported by Dominion Bureau of Statistics ⁽¹⁾					Numbers Reported by Department of Finance for the Purpose of this Report		
	1939	1948	1949	1950	1951	1952	1952
Agriculture.....	3,122	5,381	5,914	6,667	7,078	7,007	6,863
Auditor General.....	231	173	173	169	163	158	159
Chief Electoral Officer.....	15	10	19	13	14	20	20
Citizenship and Immigration.....	Staff reported under preceding Depts.			2,657	2,917	3,050	3,631
Civil Service Commission.....	235	532	572	580	536	543	533
Defence Production.....						1,362	1,736
External Affairs.....	163	1,054	1,234	1,301	1,341	1,316	1,368
Finance.....	213	677	698	645	1,602	611	636
Comptroller of the Treasury.....	1,073	4,653	4,524	4,300	4,034	4,086	4,172
Royal Canadian Mint.....	126	288	402	222	222	224	222
Tariff Board.....	20	11	11	17	17	18	18
Wartime Prices and Trade Board.....		1,145	1,029	690	260		
Fisheries.....	325	533	569	925	962		687
Governor General's Secretary.....	14	12	10	10	10	1,015	1,407 ⁽²⁾
House of Commons.....	516	541	636	656	662	478	663 ⁽⁴⁾
Insurance.....	53	59	63	72	82	82	85
International Joint Commission.....	6	4	4	10	11	12	11
Justice.....	106	152	179	192	204	206	206
Commissioner of Penitentiaries.....	985	1,174	1,255	1,364	1,509	1,503	1,509
Labour.....	244	620	620	645	635	726	674
Unemployment Insurance Commission.....		7,140	6,957	7,148	7,051	6,886	7,724
Library of Parliament.....	27	31	31	31	36	37	36
Mines and Technical Surveys.....	Staff reported under preceding Depts.			1,661	1,720	1,749	1,816
National Defence: Administration.....	1,142	8,741	10,045	9,118	2,398	3,563 ⁽⁶⁾	4,143 ⁽⁶⁾
Army Services.....	178	2,984	3,451	4,022	7,119	9,662	13,757
Naval Services.....	104	3,314	3,408	3,707	4,121	5,727	7,527
Air Services.....		598	547	596	561	577	575
National Film Board.....						580	603
National Health and Welfare— Departmental Administration.....		223	236	268	257	276	270
Health.....		725	794	847	880	888	914
Welfare.....		752	743	735	733	755	765
Indian Health Services.....		646	812	931	1,084	1,084	1,138
National Research Council.....	226	1,524	1,524	1,694	1,891	2,006	3,172
Atomic Energy Control Board.....		7	7	7	7	6	7
National Revenue— Customs and Excise.....	4,415	5,552	5,776	6,086	6,211	6,254	6,275
Income Tax.....	1,291	10,478	11,704	10,629	7,011	5,886	6,265
Post Office.....	12,513	17,105	18,049	18,899	18,938	19,380	33,607 ⁽⁷⁾
Prime Minister's Office.....							35
Privy Council.....	19	68	72	53	47	44	33
Public Archives.....	67	52	61	63	68	68	46
Public Printing and Stationery.....	632	786	856	991	1,041	1,127	1,132
Public Works.....	4,124	6,575	6,547	6,934	7,103	7,092	6,944 ⁽²⁾

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA

(EXCLUDING MEMBERS OF THE ARMED SERVICES AND R.C.M.P.) AS AT MARCH 31, 1939, 1948, 1949, 1950, 1951 AND 1952—Continued

	Numbers Reported by Dominion Bureau of Statistics ⁽¹⁾					Numbers Reported by Department of Finance for the Purpose of this Report	
	1939	1948	1949	1950	1951	1950	1952
Resources and Development.....	36	463	490	1,570	1,689	2,277	2,397
Royal Canadian Mounted Police.....	346	528	557	568	622	668	2,313
Secretary of State.....	145	328	357	608	588	608	910
Senate.....	145	145	152	156	159	156	575
Trade and Commerce (including D.B.S.).....	1,024	2,562	2,470	2,801	2,775	100	572 ^(a)
Board of Grain Commissioners.....	62	181	791	813	779	156	156 ⁽¹⁾
Canadian Government Elevators.....	198	151	140	137	169	806	774
Transport.....	5,613	7,628	8,535	9,479	10,028	137	874
Air Transport Board.....	97	36	42	48	54	11,979	11,688 ⁽¹¹⁾
Board of Transport Commissioners.....		136	144	155	158	48	41
Veterans Affairs.....		15,173	14,011	13,748	12,931	155	158
Soldiers Settlement and Veterans Land Act.....		1,678	1,468	1,334	1,224	14,898	14,127 ⁽¹²⁾
Mines and Resources—						1,334	1,158
Departmental Administration.....	70	108	127				
Immigration.....	585	1,079	1,281				
Indian Affairs.....	1,088	771	877				
Lands and Development.....		683	789				
Mines, Forests and Scientific Services.....	437	1,562	2,107				
Special Projects.....	449	8	6				
Pensions and National Health.....	2,638						
Reconstruction and Supply.....		329	408				
Totals.....	46,106	118,370	123,924	127,044	124,866	156,210	137,430
Crown Corporations, and Corporate Agencies, other than CNR and its subsidiaries ⁽¹³⁾						13,189	15,194
							14,711

See new post-war Departments for 1950 and 1951 figures

(1) The Dominion Bureau of Statistics publishes annually summary statistics of the Civil Service of Canada, and the figures for 1939, 1948, 1949 and 1950 were obtained from these publications. The figures for 1951 and 1952 had not yet been published and were obtained directly from the Dominion Bureau of Statistics for the purposes of this report.

(2) Includes Fisheries Research Board (276 employees for 1950, 328 employees for 1951, 335 employees for 1952) and the International Pacific Salmon and International Fisheries (Halibut) Commissions.

(3) Does not include 2 Aides-de-Camps to the Governor General.

(4) Includes seasonal employees.

(5) Includes employees of the Atomic Energy Project, Chalk River, Ont., and also includes 79 Post Doctorate Fellows. With effect from April 1, 1952, the status of the Atomic Energy Project was revised to that of a Crown Corp.

(6) Includes employees of the Atomic Energy Project, Chalk River, Ont., and also includes 79 Post Doctorate Fellows. With effect from April 1, 1952, the status of the Atomic Energy Project was revised to that of a Crown Corp.

(7) Includes 14,065 (1950), 14,024 (1951), 14,267 (1952) employees of revenue post offices who are paid through the Financial Branch of the Post Office Department.

(8) Prior to 1950 the staff of the Prime Minister's Office was carried on other establishments. The above figure includes the staff of the Prime Minister's residence.

(9) Does not include 240 (1950), 276 (1951), 197 (1952) revenue postmasters who are also employed by the Department of Public Works.

(10) Includes the staff of the Custodian of Enemy Property.

(11) Includes the staff of the Canadian Maritime Commission.

(12) Includes staff of the Canadian Pension Commission, War Veterans Allowance Board and 112 Medical Research staff on special projects in departmental hospitals.

(13) The following crown corporations and corporate agencies are included:

Bank of Canada, Canadian Arsenals Ltd., Canadian Broadcasting Corporation, Canadian Commercial Corporation, Canadian Farm Loan Board, Canadian Wheat Board, Central Mortgage and Housing Corporation, Commodity Prices Stabilization Corporation, Dominion Coal Board, Eldorado Mining and Refining (1944) Ltd., Export Credit Insurance Corporation, Federal District Commission, Industrial Development Bank, National Harbours Board, Northwest Territories Power Commission, Northern Transportation Company Ltd., Polymer Corporation Ltd., Crown Assets Disposal Corporation, Defence Construction Ltd.

Exhibit No. 5

 DOMINION COST-OF-LIVING INDEX
 (1935-39=100)

YEAR	INDEX
1945	119·5
1946	123·6
1947	135·5
1948	155·0
1949	160·8
1950	166·5
1951	184·5
1950 January 3	161·0
February 1	161·6
March 1	163·7
April 1	164·0
May 1	164·0
June 1	165·4
July 3	167·5
August 1	168·5
September 1	169·8
October 2	170·7
November 1	170·7
December 1	171·1
1951 January 2	172·5
February 1	175·2
March 1	179·7
April 2	181·8
May 1	182·0
June 1	184·1
July 3	187·6
August 1	188·9
September 1	189·8
October 1	190·4
November 1	191·2
December 1	191·1
1952 January 2	191·5
February 1	190·8
March 1	189·1

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